NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE

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Pursuant to AB 3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to the District for immediate consideration.

DATE: WEDNESDAY, NOVEMBER 15, 2017

TIME: 3:30 P.M.

PLACE: DISTRICT OFFICE

Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their Priority Is Determined By The Committee

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

4. PUBLIC COMMENTS

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 8, 2017 REGULAR FINANCE COMMITTEE MEETING

6. REVIEW AND DISCUSS FISCAL YEAR 2016-17 AUDITED FINANCIAL STATEMENTS AND RESULTS

7. REVIEW OF QUARTERLY INVESTMENTS AND CASH POSITION REPORTS (Q3 2017)

8. REVIEW OF FUND BALANCES AND INVESTMENT POLICY

9. REVIEW AND DISCUSS PROPOSED TRAVEL, EXPENSE REIMBURSEMENT, AND CREDIT CARD POLICY

10. CONSIDER FUTURE AGENDA ITEMS

11. ADJOURNMENT

Agenda Item 5

Memo

Date: November 15, 2017

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 8, 2017 FINANCE COMMITTEE MEETING**

The Finance Committee will receive a draft copy of the meeting minutes. Following committee approval, the minutes will be posted on the District's website.

MINUTES OF A REGULAR MEETING
OF THE FINANCE COMMITTEE
OF OLIVENHAIN MUNICIPAL WATER DISTRICT

August 8, 2017

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, August 8, 2017, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 2:33 p.m. In attendance were Edmund K. Sprague, Treasurer and Division 5 Director; Gerald E. Varty, Board Secretary and Division 4 Director; Rainy Selamat, Finance Manager; and Felipe Monasi, Financial Analyst.

3. ADOPTION OF THE AGENDA

Director Sprague moved to adopt the agenda, seconded by Director Varty and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE APRIL 12, 2017 REGULAR FINANCE COMMITTEE MEETING

Director Sprague moved to approve the April 12, 2017 meeting minutes, seconded by Director Varty and carried unanimously.

6. REVIEW OF QUARTERLY INVESTMENTS AND CASH POSITION REPORTS (Q2 2017)

Finance Manager Selamat reported that the District's average portfolio yield increased from 1.023% as of March 31, 2017 to 1.160% as of June 30, 2017, and slightly exceeded its investment benchmark of 1.01%. The District's portfolio is comprised of high-grade investments, with AAA/AA+ securities representing more than 50% of current holdings.

Finance Manager Selamat reported that the cash position report included in the package is subject to change until the District's financial audit is completed in October 2017. Once the fiscal year 2016-17 financial audit is completed, staff will present the final copy of the cash position report to the Finance Committee.

Finance Manager Selamat reported that all investments follow the District's Board-approved Investment Policy. The District has sufficient funds to meet its financial obligations for the next 120 days.

7. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

8. ADJOURNMENT

The meeting was adjourned at 2:55 p.m.

Olivenhain Municipal Water District

Agenda Item 6

Memo

Date: November 15, 2017

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **REVIEW AND DISCUSS FISCAL YEAR 2016-17 AUDITED FINANCIAL STATEMENTS AND RESULTS**

The Finance Committee will receive a copy of the Fiscal Year 2016-17 audited financial statements and report from the District's auditors, White Nelson Diehl Evans LLP. Following committee review and approval, a copy of the auditors' reports will be included in the December 13, 2017 board meeting for Board's consideration and approval.

Staff and the District's auditors will be available during the meeting.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

Board of Directors
Audit Committee
Olivenhain Municipal Water District
Encinitas, California

We have audited the basic financial statements of the Olivenhain Municipal Water District for the year ended June 30, 2017, and have issued our report thereon dated November XX, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Olivenhain Municipal Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

The most sensitive estimates affecting the financial statements were:

a. Management's estimate of the fair market value of investments which is based on market values by outside sources.

b. Management's estimate of useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

c. Management's estimate of the allowance for doubtful accounts is based on historical water revenues, historical loss levels, and an analysis of the collectability of individual accounts.

d. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the District's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

a. The disclosure regarding depreciation expense reported in Note 4.

b. The disclosure of the net pension liability in Note 10 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Adjustments

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The attached schedule summarizes uncorrected adjustments of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the adjustments detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Significant Audit Findings (Continued):

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements of the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November XX, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Olivenhain Municipal Water District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Olivenhain Municipal Water District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions - Defined Benefit Plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory section or the statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance of it.

Restrictions on Use

This information is intended solely for the use of the Board of Directors, Audit Committee and management of the Olivenhain Municipal Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Carlsbad, California
November XX, 2017

Schedule of Uncorrected Adjustments
June 30, 2017

AJE	Account Name	Account #	Debit	Credit
1	Accum Deprec Reservoirs General	18520-100-000-000		23,393.45
	Accum Deprec Contrib Reservoirs General	18820-100-000-000	367,948.00	
	Net Position	30330-500-000-000		344,554.55
	To account for reduction in accumulated depreciation for change to which steel tanks are reported under the modified approach for reporting infrastructure assets.			
2	Other Operating Income - Rental - Gen	43123-100-000-000	45,941.67	
	Net Position	30330-100-000-000		45,941.67
	Prior Period Adjustment: To account for cell tower lease revenue earned in prior fiscal years recognized in			

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Olivenhain Municipal Water District

Statements of Net Position

June 30, 2017 and 2016

		2017		2016
ASSETS				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	$	28,256,884	$	29,270,700
Investments		30,235,637		25,339,789
Accounts receivable - water and sewer, net		8,372,323		7,539,847
Interest receivable		134,398		98,514
Taxes and assessments receivable		73		555
Other receivables		145,872		148,121
Inventories		1,664,131		1,527,547
Prepaid expenses and deposits		912,797		790,039
Total unrestricted assets		69,722,115		64,715,112
Restricted assets:				
Cash and cash equivalents		6,352,714		11,382,633
Investments		5,797,106		5,709,036
Interest receivable		6,865		712
Taxes and assessments receivable		182,495		185,181
Grants receivable		962,309		1,469,166
Total restricted assets		13,301,489		18,746,728
Total current assets		83,023,604		83,461,840
Noncurrent assets:				
Capital assets, nondepreciable		35,314,609		40,049,016
Capital assets, depreciable/amortizable, net		352,390,853		352,655,171
Capital assets, net		387,705,462		392,704,187
Other receivables		113,918		-
Prepaid pension contributions		22,063		31,372
Prepaid bond insurance		117,683		129,064
Total noncurrent assets		387,959,126		392,864,623
Total assets		470,982,730		476,326,463
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding		1,925,853		733,225
Deferred amounts from pension		3,501,400		2,159,137
Total deferred outflows of resources		5,427,253		2,892,362

(Continued)

Olivenhain Municipal Water District

Statements of Net Position, Continued
June 30, 2017 and 2016

	2017	2016
LIABILITIES		
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	$ 6,412,560	$ 6,582,634
Accrued payroll	244,882	212,880
Customer deposits	518,261	379,174
Payable related to work in progress	250,548	236,644
Compensated absences, current portion	643,000	753,000
Current portion of long-term debt:		
Water Revenue Bonds	-	430,000
Water Revenue Refunding Bonds	1,875,000	1,375,000
Special Assessment Debt with Government Commitment	845,000	810,000
Notes Payable	720,818	872,546
Total liabilities payable from unrestricted assets	11,510,069	11,651,878
Liabilities payable from restricted assets:		
Accounts payable	996,298	2,880,760
Interest payable	485,137	347,555
Unearned revenue	129,164	
Construction deposits	-	162,993
Total liabilities payable from restricted assets	1,610,599	3,391,308
Total current liabilities	13,120,668	15,043,186
Noncurrent liabilities:		
Compensated absences	643,323	393,970
Unearned revenue	-	162,724
Net pension liability	11,018,852	8,653,737
Long-term debt, excluding current portion:		
Water Revenue Bonds	-	16,495,215
Water Revenue Refunding Bonds	38,329,311	23,914,832
Special Assessment Debt with Government Commitment	10,853,471	11,706,272
Notes Payable	14,618,930	15,339,748
Total noncurrent liabilities	75,463,887	76,666,498
Total liabilities	88,584,555	91,709,684
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on pension	631,720	994,999
Total deferred inflows of resources	631,720	994,999
NET POSITION		
Net investment in capital assets	322,388,785	322,493,799
Restricted for:		
Debt service	3,424,970	4,752,990
Construction	8,265,920	10,602,430
Total restricted	11,690,890	15,355,420
Unrestricted	53,114,033	48,664,923
Total net position	$ 387,193,708	$ 386,514,142

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See accompanying independent auditors' report and notes to basic financial statements.

Olivenhain Municipal Water District

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Water sales	$ 45,433,161	$ 40,936,218
Sewer charges	4,447,426	4,474,853
Other water operating revenues	2,217,932	1,560,779
Total operating revenues	52,098,519	46,971,850
OPERATING EXPENSES		
Cost of purchased water sold	24,568,729	21,979,036
Pumping and water treatment	3,988,991	3,390,124
Transmission and distribution	3,874,766	3,482,086
Sewer collection and treatment	1,672,289	1,758,907
Elfin Forest recreation operations	316,387	287,923
Facilities maintenance	1,154,241	843,456
Customer services	1,789,423	1,757,388
General and administrative	6,265,690	5,388,804
Other operating expenses	388,995	-
Depreciation and amortization	15,069,090	13,053,286
Total operating expenses	59,088,601	51,941,010
Operating income (loss)	(6,990,082)	(4,969,160)
NONOPERATING REVENUES (EXPENSES)		
Fair market value adjustment	(289,050)	51,106
Investment income	519,321	463,805
Property taxes	3,414,858	3,268,438
Capacity charges	3,624,426	1,482,945
Benefit assessments	1,460,881	1,451,751
Other nonoperating revenues	278,589	53,458
Interest expense, net	(2,342,667)	(2,629,591)
Other nonoperating expenses	(1,012,913)	(1,211,973)
Total nonoperating revenues (expenses)	5,653,445	2,929,939
Income (Loss) before capital contributions	(1,336,637)	(2,039,221)
Capital Contributions	2,016,203	1,878,785
Change in net position	679,566	(160,436)
Net Position, Beginning of year	386,514,142	386,674,578
Net Position, End of year	$ 387,193,708	$ 386,514,142

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Olivenhain Municipal Water District

Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and sewer customers	$ 51,293,461	$ 45,961,503
Payments for water	(24,068,220)	(21,425,291)
Payments for services and supplies	(11,798,521)	(6,578,992)
Payments for employee wages, benefits, and related costs	(9,629,697)	(9,686,442)
Net cash provided by operating activities	5,797,023	8,270,778
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes and benefit assessments received	4,878,907	4,713,248
Net cash provided by noncapital and related financing activities	4,878,907	4,713,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(8,323,030)	(14,800,924)
Proceeds from grants and capital contributions	18,693	378,727
Principal paid on long-term debt	(20,677,761)	(30,928,439)
Proceeds from debt refunding	16,102,257	26,391,456
Interest paid on long-term debt	(2,536,986)	(2,910,441)
Capacity charges received	3,592,523	1,407,797
Proceeds from sale of capital assets	6,000	18,040
Other capital financing receipts	272,589	35,418
Other capital financing expenses paid	(378,266)	(328,312)
Net cash provided (used) by capital and related financing activities	(11,923,981)	(20,736,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	19,559,500	23,175,000
Purchases of investments	(24,832,468)	(21,580,706)
Investment income received	477,284	482,637
Net cash provided (used) by investing activities	(4,795,684)	2,076,931
Net increase (decrease) in cash and cash equivalents	(6,043,735)	(5,675,721)
Cash and cash equivalents, beginning of year	40,653,333	46,329,054
Cash and cash equivalents, end of year	$ 34,609,598	$ 40,653,333
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents	$ 28,256,884	$ 29,270,700
Cash and cash equivalents - restricted assets	6,352,714	11,382,633
Total cash and cash equivalents	$ 34,609,598	$ 40,653,333

(Continued)

Olivenhain Municipal Water District

Statements of Cash Flows, Continued

For the years ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (6,990,082)	$ (4,969,160)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	15,069,090	13,053,286
GASB 68 Adjustment to Pension Expense	659,573	(35,443)
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Receivables	(944,145)	(947,618)
Inventories	(136,584)	65,533
Prepaid expenses and deposits	(102,068)	97,535
Increase (Decrease) in liabilities:		
Accounts payable	(1,872,650)	1,424,931
Accrued payroll and compensated absences	171,355	(343,174)
Unearned Revenue	(162,724)	(101,518)
Customer deposits	105,258	26,406
Net cash provided by operating activities	$ 5,797,023	$ 8,270,778
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Customer contributions of capital assets	$ 2,016,203	$ 1,508,273
Amortization of premiums	$ (25,955)	$ (25,955)
Unrealized gains (losses) on investments	$ 332,082	$ (11,391)

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Notes to Basic Financial Statements

For the years ended June 30, 2017 and June 30, 2016

1. Summary of Significant Accounting Policies

a. Organization

The Olivenhain Municipal Water District (District) is a governmental corporation governed by an elected five member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911. The District's 48 square mile service area lies in northern San Diego County and the majority of its sales are domestic and business users. The District's offices are located in Encinitas, California.

The basic financial statements of the District include the blended financial activities of the District and the Olivenhain Municipal Water District Financing Corporation (Corporation).

The Corporation was formed in 1997 under the California Nonprofit Public Benefit Corporation Law. Its sole purpose is to assist the District in acquiring and financing various public facilities.

The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 2006 Water Revenue Refunding Bond Fund, 2009 Water Revenue Bond Fund, 2015 Water System Revenue Refunding Bond Fund, 2016 Water System Revenue Refunding Bond Fund, 2012 California Bank & Trust Note Payable, and 2013 State Revolving Fund Note Payable. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub funds for the basic financial statements of the District.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The basic financial statements of the Olivenhain Municipal Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

1. Summary of Significant Accounting Policies (Continued)

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of "net investment in capital assets," or "restricted net position".

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

c. New Accounting Pronouncements:

Current Year Standards:

GASB Statement No. 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* effective for periods beginning after June 15, 2016 and did not impact the District.

GASB Statement No. 77 - *"Tax Abatement Disclosure,"* effective for periods beginning after December 15, 2015 and did not impact the District.

GASB Statement No. 78 - *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,"* effective for periods beginning after December 15, 2015 and did not impact the District.

GASB Statement No. 79 – *"Certain External Investment Pools and Pool Participants,"* was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 80 - *"Blending Requirements for Certain Component Units,"* effective for periods beginning after June 15, 2016 and did not impact the District.

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1. Summary of Significant Accounting Policies (Continued)

c. New Accounting Pronouncements (Continued):

Current Year Standards (Continued):

Pending Accounting Standards:

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* effective for periods beginning after June 15, 2017.
- GASB 81 - *"Irrevocable Split-Interest Agreements,"* effective for periods beginning after December 15, 2016.
- GASB 82 - *"Pension Issues,"* effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 84-*"Omnibus 2017,"* effective for periods beginning after June 15, 2017.
- GASB 85-*"Certain Debt Extinguishment Issues,"* effective for periods beginning after June 15, 2017.
- GASB 87- *"Leases,"* effective for periods beginning after December 15, 2019.

d. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred loss on refunding of $1,925,853 related to the 2015 and 2016 Water System Refunding Revenue Bonds, net of accumulated amortization of $44,036, at June 30, 2017. It is amortized on a straight line basis over 156 and 261 months, respectively, which represents the shortest period between the remaining outstanding debt and the new debt.
- Deferred outflow related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2016.
- Deferred outflow related to pensions for changes in proportion. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2016.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on plan investments of the pension plan fiduciary net position. This amount is amortized over five years.

1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that will qualify for reporting in this category:

- Deferred inflows from pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2016.
- Deferred inflows from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.
- Deferred inflows related to pensions for the differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.
- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on plan investments of the pension plan fiduciary net position. This amount is amortized over five years.

e. Cash, Cash Equivalents and Investments

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment Valuation

Investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

f. Water Sales

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service.

1. Summary of Significant Accounting Policies (Continued)

g. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2017 and 2016 have been reduced by an allowance for doubtful accounts of $110,000 and $110,000, respectively.

h. Inventories

Materials inventory is stated at current average cost. Water inventory is stated at its purchase cost using the first-in, first-out method.

i. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

j. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

k. Capital Assets, Depreciation and Amortization

Capital assets are valued at cost when constructed or purchased. Donated capital assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are reported at acquisition value. The District capitalizes all assets with a historical cost of at least $5,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Treatment and distribution system	10-75 years
Non-steel tanks	10-60 years
General plant	3- 40 years
Capacity Rights	17 years

The District is amortizing Capacity Rights and is reviewing it annually for impairment, and any impairment losses are recognized in the period in which the impairment is determined.

In September 2007, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for reporting the steel water storage tanks subsystem of infrastructure capital assets.

The detail of the subsystems is not presented in these basic financial statements. However, the operating departments maintain information regarding the subsystems.

Per GASB Statement No. 34 a condition assessment will be performed every three years on the steel tanks. The condition of the District's steel water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual steel water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good).

It is the District's policy to keep all the steel water storage tanks at a condition level of not less than 5.0 (satisfactory). All steel water storage tanks are inspected every two years and washed out every other year. Repairs are done on an as needed basis.

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1. Summary of Significant Accounting Policies (Continued)

l. Capitalized Interest

Interest costs, less interest earned, on related borrowings are capitalized during the construction period of major capital asset additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset. Capitalized interest amounted to $0 and $4,705 for the years ended June 30, 2017 and 2016, respectively.

m. Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes in compensated absences for the year ended June 30, 2017, were as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
$ 1,146,970	$ 791,282	$ (651,929)	$ 1,286,323

The current portion of compensated absences payable is $643,000 and $753,000 at June 30, 2017 and 2016, respectively.

n. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

o. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

p. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

q. Capacity Charges

Capacity charges are paid by new customers prior to connecting to the District's system. Such charges are periodically adjusted based upon changes in construction costs and other factors, and are intended to compensate the District for a new customer's equitable share of current and future system capacity. Capacity charges are, except in rare circumstances, nonrefundable and are recorded as nonoperating revenues when collected.

r. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2017 and 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	2017	2016
Current Assets:		
Cash and cash equivalents	$ 28,256,884	$ 29,270,700
Restricted cash and cash equivalents	6,352,714	11,382,633
Investments	30,235,637	25,339,789
Restricted investments	5,797,106	5,709,036
Total cash and investments	$ 70,642,341	$ 71,702,158

Cash and investments consist of the following:

	2017	2016
Cash on hand	$ 1,466	$ 1,546
Deposits with financial institutions	7,464,461	8,882,299
Investments	63,176,414	62,818,313
Total cash and investments	$ 70,642,341	$ 71,702,158

Investments Authorized by the California Government Code and the District's Investment policy:

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	50%	None
Banker's Acceptances	180 days	20%	3%
Commercial Paper	270 days	20%	$1,000,000
Certificates of Deposit	3 years	30%	$250,000
Repurchase Agreements	90 days	20%	None
Reverse Repurchase Agreements	90 days	10%	None
Medium-Term Notes	5 years	15%	None
Money Market Mutual Funds	N/A	20%	5%
Municipal Obligations	N/A	30%	None
Local Government Investment Pool	N/A	30%	None
Local Agency Investment Fund	N/A	30%	$20,000,000

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2. Cash, Cash Equivalents, and Investments (Continued)

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2017.

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	$ 15,102,385	$ 15,102,385	$ -	$ -	$ -
California Asset Management Program (CAMP)	10,465,495	10,465,495	-	-	-
Commercial Paper	1,994,950	1,994,950	-	-	-
Money Market Mutual Funds	1,558,377	1,558,377	-	-	-
U.S. Government Sponsored Entities	28,030,353	4,981,770	1,992,040	21,056,543	-
Medium-Term Notes	676,892	676,892	-	-	-
Municipal Obligations	2,359,812	354,025	500,665	1,505,122	-
U.S. Treasury Obligations	2,988,150	999,710	1,988,440	-	-
Total	$ 63,176,414	$ 36,133,604	$ 4,481,145	$ 22,561,665	$ -

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2. Cash, Cash Equivalents, and Investments (Continued)

Investments Authorized by Debt Agreements (Continued):

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2016.

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	$ 17,082,396	$ 17,082,396	$ -	$ -	$ -
California Asset Management Program (CAMP)	7,712,698	7,712,698	-	-	-
Commercial Paper	2,997,940	2,997,940	-	-	-
Money Market Mutual Funds	6,985,066	6,985,066	-	-	-
U.S. Government Sponsored Entities	20,629,285	1,000,600	5,010,610	14,618,075	-
Medium-Term Notes	689,074	-	689,074	-	-
Municipal Obligations	704,114	704,114	-	-	-
U.S. Treasury Obligations	6,017,740	3,007,350	999,690	2,010,700	-
Total	$ 62,818,313	$ 39,490,164	$ 6,699,374	$ 16,628,775	$ -

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2. Cash, Cash Equivalents, and Investments (Continued)

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2017. (CAMP is rated by Standard and Poor's and has a rating of AAAm).

			Rating as of Year End				
Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	$ 15,102,385	N/A	$ -	$ -	$ -	$ -	$ 15,102,385
California Asset Management Program (CAMP)	10,465,495	AAA	-	10,465,495	-	-	-
Commercial Paper	1,994,950	N/A					1,994,950
Money Market Mutual Funds	1,558,377	N/A	-	-	-	-	1,558,377
U.S. Government Sponsored Entities	28,030,353	AAA	-	28,030,353	-	-	-
Medium-Term Notes	676,892	A	-	-	-	676,892	-
Municipal Obligations	2,359,812	AA	-	354,025	2,005,787	-	-
U.S. Treasury Obligations	2,988,150	N/A	2,988,150	-	-	-	-
Total	$ 63,176,414		$ 2,988,150	$ 38,849,873	$ 2,005,787	$ 676,892	$ 18,655,712

2. Cash, Cash Equivalents, and Investments (Continued)

Disclosures Relating to Credit Risk (Continued):

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2016.

			Rating as of Year End				
Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	$ 17,082,396	N/A	$ -	$ -	$ -	$ -	$ 17,082,396
California Asset Management Program (CAMP)	7,712,698	AAA	-	7,712,698	-	-	-
Commercial Paper	2,997,940	N/A	-	-	-	-	2,997,940
Money Market Mutual Funds	6,985,066	N/A	-	4,027,221	-	-	2,957,845
U.S. Government Sponsored Entities	20,629,285	AAA	-	20,629,285	-	-	-
Medium-Term Notes	689,074	A2	-	237,688	451,386	-	-
Municipal Obligations	704,114	A1	-	500,060	204,054	-	-
U.S. Treasury Obligations	6,017,740	N/A	6,017,740	-	-	-	-
Total	$ 62,818,313		$ 6,017,740	$ 33,106,952	$ 655,440	$ -	$ 23,038,181

Concentration of Credit Risk:

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

Issuer	Investment Type	2017	2016
Federal Home Loan Banks	U.S. Govt Sponsored Entities	$ 4,453,255	$ 4,475,342
Federal National Mortgage Association	U.S. Govt Sponsored Entities	$ 11,878,230	$ 4,001,540
Federal Home Loan Mortgage Corp	U.S. Govt Sponsored Entities	$ 9,707,468	$ 10,153,183

2. Cash, Cash Equivalents, and Investments (Continued)

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2017 and 2016, $7,043,209 and $9,291,933 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Local Agency Investment Fund (LAIF):

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

California Asset Management Program (CAMP):

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The District reports its investment in CAMP at the fair value amounts provided by CAMP, which is the same value of the pool share. At June 30, 2017 and 2016 the fair value approximated is the District's cost.

Fair Value Measurements:

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

2. Cash, Cash Equivalents, and Investments (Continued)

Fair Value Measurements (Continued):

The three levels of the fair value hierarchy are described as follows (Continued):

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The asset's or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the District's management. District management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to District management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the District to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by District management.

The District has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

2. Cash, Cash Equivalents, and Investments (Continued)

Fair Value Measurements (Continued):

Fair value measurements at June 30, 2017 consisted of the following:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	June 30, 2017
Investments by Fair Value Level				
U.S. Government Sponsored				
Entity Securities				
FNMA	$ -	$ 12,872,600	$ -	$ 12,872,600
FMM	-	997,030	-	997,030
FHLB	-	4,453,255	-	4,453,255
FHLMC	-	9,707,468	-	9,707,468
U.S. Treasury Securities	-	2,988,150	-	2,988,150
Commercial Paper	-	1,994,950	-	1,994,950
Medium Term Notes	-	676,892	-	676,892
Municipal Bonds	-	2,359,812	-	2,359,812
Total Investments by Fair Value Level	$ -	$ 36,050,157	$ -	36,050,157
Investments measured at Cost or Net Asset Value (NAV)				
Local Agency Investment Fund (LAIF)				15,102,385
California Asset Management Program (CAMP)				10,465,495
Money Market Mutual Funds				53,501
Held by Fiscal Agent				
Money Market Mutual Funds				1,504,876
Total Investments at Cost or Net Assets Value (NAV)				27,126,257
Total Investments				$ 63,176,414

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2. Cash, Cash Equivalents, and Investments (Continued)

Fair Value Measurements (Continued):

Fair value measurements at June 30, 2016 consisted of the following:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	June 30, 2016
Investments by Fair Value Level				
U.S. Government Sponsored				
Entity Securities				
FNMA	$ -	$ 4,001,540	$ -	$ 4,001,540
FFCB	-	1,999,220	-	1,999,220
FHLB	-	4,475,342	-	4,475,342
FHLMC	-	10,153,183	-	10,153,183
U.S. Treasury Securities	-	6,017,740	-	6,017,740
Commercial Paper	-	2,997,940	-	2,997,940
Medium Term Notes	-	689,074	-	689,074
Municipal Bonds	-	704,114	-	704,114
Total Investments by Fair Value Level	$ -	$ 31,038,153	$ -	31,038,153
Investments measured at Cost or Net Asset Value (NAV)				
Local Agency Investment Fund (LAIF)				17,082,396
California Asset Management Program (CAMP)				7,712,698
Money Market Mutual Funds				4,027,221
Held by Fiscal Agent				
Money Market Mutual Funds				2,957,845
Total Investments at Cost or Net Assets Value (NAV)				31,780,160
Total Investments				$ 62,818,313

3. Net Position

a. Restricted Net Position

Restricted Net Position at June 30 consisted of the following:

	2017	2016
Net position restricted for debt service		
Restricted Assets		
Cash	$ 2,301,462	$ 4,885,216
Investments	1,550,610	158,136
Interest receivable	6,865	712
Taxes/assessments receivable	53,270	59,586
Total restricted assets for debt service	3,912,207	5,103,650
Less liabilities payable from restricted assets	(487,237)	(350,660)
Net position restricted for debt service	3,424,970	4,752,990
Net position restricted for construction		
Restricted Assets		
Cash	4,051,252	$ 6,497,417
Investments	4,246,496	5,550,900
Grants receivable	962,309	1,469,166
Taxes/assessments receivable	129,225	125,595
Total restricted assets for construction	9,389,282	13,643,078
Less liabilities from restricted assets	(1,123,362)	(3,040,648)
Less: long-term debt attributable to unspent proceeds of debt	-	-
Net position restricted for construction	8,265,920	10,602,430
Total restricted net position	$ 11,690,890	$ 15,355,420

b. Unrestricted Net Position

In addition to the restricted net position, a portion of the unrestricted net position has been reserved by management for the following purposes as of June 30:

	2017	2016
Capital replacement reserve	$ 31,236,022	$ 27,022,204
Rate stabilization reserve	10,032,650	9,997,677
Unreserved	11,845,361	11,645,042
	$ 53,114,033	$ 48,664,923

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4. Capital Assets

Changes in capital assets for the year ended June 30, 2017, were as follows:

	Balance June 30, 2016	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	$ 11,139,165	$ -	$ -	$ -	$ 11,139,165
Steel water storage tanks	16,692,979	-	-	3,168,426	19,861,405
Construction in progress	12,216,872	8,214,014		(16,116,847)	4,314,039
Total capital assets, not being depreciated	40,049,016	8,214,014	-	(12,948,421)	35,314,609
Capital assets, being depreciated/amortized:					
Treatment and distribution system	265,457,988	14,761,847	(736,620)	-	279,483,215
Capacity Rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	40,140,136	271,560	(134,877)	(3,328,578)	36,948,241
General plant	173,426,949	3,689,180	(1,571,706)	-	175,544,423
Total capital assets, being depreciated/amortized	506,764,081	18,722,587	(2,443,203)	(3,328,578)	519,714,887
Accumulated depreciation/amortization:					
Treatment and distribution system	(78,119,390)	(6,550,894)	472,336	11,114	(84,186,834)
Capacity Rights	(10,192,796)	(1,607,482)	-	-	(11,800,278)
Non-steel tanks	(9,118,218)	(673,997)	8,336	160,150	(9,623,729)
General plant	(56,678,506)	(6,236,717)	1,213,144	(11,114)	(61,713,193)
Total accumulated depreciation/amortization	(154,108,910)	(15,069,090)	1,693,816	160,150	(167,324,034)
Total capital assets, being depreciated/amortized, net	352,655,171	3,653,497	(749,387)	(3,168,428)	352,390,853
Total capital assets, net	$ 392,704,187	$ 11,867,511	$ (749,387)	$ (16,116,849)	$ 387,705,462

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4. Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2016, were as follows:

	Balance June 30, 2015	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	$ 11,139,165	$ -	$ -	$ -	$ 11,139,165
Steel water storage tanks	16,692,979	-	-	-	16,692,979
Construction in progress	6,137,778	16,021,601	(840,176)	(9,102,331)	12,216,872
Total capital assets, not being depreciated	33,969,922	16,021,601	(840,176)	(9,102,331)	40,049,016
Capital assets, being depreciated/amortized:					
Treatment and distribution system	263,017,341	2,967,747	(527,100)	-	265,457,988
Capacity Rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	37,055,333	3,549,675	(464,872)	-	40,140,136
General plant	170,682,012	4,000,308	(1,255,371)	-	173,426,949
Total capital assets, being depreciated/amortized	498,493,694	10,517,730	(2,247,343)	-	506,764,081
Accumulated depreciation/amortization:					
Treatment and distribution system	(72,793,095)	(5,665,529)	339,234	-	(78,119,390)
Capacity Rights	(8,585,314)	(1,607,482)	-	-	(10,192,796)
Non-steel tanks	(8,492,874)	(772,554)	147,210	-	(9,118,218)
General plant	(52,548,022)	(5,007,721)	877,237	-	(56,678,506)
Total accumulated depreciation/amortization	(142,419,305)	(13,053,286)	1,363,681	-	(154,108,910)
Total capital assets, being depreciated/amortized, net	356,074,389	(2,535,556)	(883,662)	-	352,655,171
Total capital assets, net	$ 390,044,311	$ 13,486,045	$ (1,723,838)	$ (9,102,331)	$ 392,704,187

Depreciation expense for depreciable capital assets was $13,461,608 and $11,445,804 for the years ended June 30, 2017 and 2016, respectively. Amortization expense for amortizable capital assets was $1,607,482 and $1,607,482 for the years ending 2017 and 2016, respectively.

Construction in progress consisted of the following at June 30:

	2017	2016
Village Park Pump Station	$ -	$ 1,997,574
Village Park Recycled Water System	-	7,162,324
San Elijo Valley Groundwater	1,546,560	1,122,784
Building D	769,312	-
Other capital projects	1,998,167	1,934,190
Total construction in progress	$ 4,314,039	$ 12,216,872

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5. Prepaid Supplementary Retirement Plan

During fiscal year 2011/2012 the District offered a Board of Directors' approved early retirement plan to all employees. Five District employees accepted a supplementary retirement plan which was purchased through an annuity arranged by Public Agency Retirement Services (PARS). The $319,340 prepayment is amortizable over 5 to 8 years based on the retirees' selection. The amount amortizable during fiscal year 2016/2017 is $13,934 and will be reported as a current prepaid asset on the Statement of Net Position. The balance of $22,063 which will be amortizable in years after fiscal year 2017/2018, is included in the non-current asset Prepaid Pension Contributions.

6. Accounts Payable

Accounts payable to be paid from unrestricted current assets was as follows at June 30:

	2017	2016
Water purchases	$ 4,653,330	$ 4,152,821
Capital asset additions	341,786	911,003
Other	1,417,444	1,518,810
Total	$ 6,412,560	$ 6,582,634

Accounts payable, to be paid from restricted current assets was as follows at June 30:

	2017	2016
Capital asset additions	$ 8,083	$ -
Other	988,215	2,880,760
	$ 996,298	$ 2,880,760

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7. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Notes Payable:					
2013 Note Payable	$ 15,693,955	$ -	$ (354,207)	$ 15,339,748	$ 720,818
2012 Note Payable	518,339	-	(518,339)	-	-
Notes Payable	16,212,294	-	(872,546)	15,339,748	720,818
Revenue Bonds:					
2009 Water Revenue Bonds Payable	16,610,000	-	(16,610,000)	-	-
Plus unamortized bond premiums	315,215	-	(315,215)	-	-
2015 Water System Refunding Revenue Bonds	21,860,000	-	(1,375,000)	20,485,000	1,440,000
Plus unamortized bond premiums	3,429,832	-	(287,818)	3,142,014	-
2016 Water System Refunding Revenue Bonds	-	15,990,000	(690,000)	15,300,000	435,000
Plus unamortized bond premiums	-	1,318,579	(41,282)	1,277,297	-
Revenue Bonds, net	42,215,047	17,308,579	(19,319,315)	40,204,311	1,875,000
2007 Reassessment 96-1 Limited Obligation Improvement Bonds	12,485,000	-	(815,000)	11,670,000	845,000
Plus original issue premium	31,272	-	(2,801)	28,471	-
2007 Reassessment 96-1 Limited Obligation Improvement Bonds, net	12,516,272	-	(817,801)	11,698,471	845,000
Total	$ 70,943,613	$ 17,308,579	$ (21,009,662)	$ 67,242,530	$ 3,440,818

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7. Long-Term Debt (Continued)

Changes in long-term debt for the year ended June 30, 2016 were as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Notes Payable:					
2013 Note Payable	$ 16,390,314	$ -	$ (696,359)	$ 15,693,955	$ 354,207
2012 Note Payable	1,540,842	-	(1,022,503)	518,339	518,339
Notes Payable	17,931,156	-	(1,718,862)	16,212,294	872,546
Revenue Bonds:					
2009 Water Revenue Bonds Payable	17,025,000	-	(415,000)	16,610,000	430,000
Plus unamortized bond premiums	328,724	-	(13,509)	315,215	-
2006 Water Revenue Refunding Bonds Payable	26,290,000	-	(26,290,000)	-	-
Plus unamortized bond premiums	124,577	-	(124,577)	-	-
2015 Water System Refunding Revenue Bonds	-	23,455,000	(1,595,000)	21,860,000	1,375,000
Plus unamortized bond premiums	-	3,669,681	(239,849)	3,429,832	-
Revenue Bonds, net	43,768,301	27,124,681	(28,677,935)	42,215,047	1,805,000
2007 Reassessment 96-1 Limited Obligation Improvement Bonds	13,270,000	-	(785,000)	12,485,000	810,000
Plus original issue premium	34,072	-	(2,800)	31,272	-
2007 Reassessment 96-1 Limited Obligation Improvement Bonds, net	13,304,072	-	(787,800)	12,516,272	810,000
Total	$ 75,003,529	$ -	$ (31,184,597)	$ 70,943,613	$ 3,487,546

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7. Long-Term Debt (Continued)

a. *2013 Note Payable*

On February 24, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan not to exceed $17,812,998 (2013 Note Payable), under and pursuant to Part 12, Chapter 4 of Division 104 of the Health and Safety Code and California Code of Regulations Title 22 to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The loan is to commence on the due date of the first principal and interest invoice and expire twenty years after the due date of the first principal and interest invoice. The rate of interest to be paid on the principal amount of the loan shall be 2.3035% annually. At June 30, 2017, the amount borrowed was $15,339,748.

Future debt service requirements for the above note payable based on the initial loan rate is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 720,818	$ 349,224	$ 1,070,042
2019	737,517	332,525	1,070,042
2020	754,604	315,438	1,070,042
2021	772,087	297,955	1,070,042
2022	789,973	280,069	1,070,042
2023-2027	4,233,025	1,117,183	5,350,208
2028-2032	4,746,624	603,584	5,350,208
2033-2035	2,585,100	90,004	2,675,104
Total	$ 15,339,748	$ 3,385,982	$ 18,725,730

b. *2012 Note Payable*

On February 8, 2012, the District issued a negotiable promissory note for a term of not more than 60 months in the amount of $5,000,000 (2012 Note Payable), under and pursuant to Section 71811 of the Water Code, for the purpose of providing funds for certain capital expenditures. The initial loan rate is either 156 basis points above the 30-day LIBOR Rate or (at the District's election) 66.67% of the California Bank and Trust (CB&T) Prime Rate. For either funding rate basis, the rate is to be adjusted every month thereafter to the same margin above the applicable index as of the start of the month, but in no event greater than 12% per year. During the current fiscal year 2016/2017, the District paid off the remaining loan balance.

7. Long-Term Debt (Continued)

c. *2016 Water System Refunding Revenue Bonds Payable*

On October 19, 2016, the District issued Water System Refunding Revenue Bonds, Series 2016A in the amount of $15,990,000 for the purpose of refunding $16,610,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2009. The 2016A bonds are limited obligation bonds maturing annually from December 1, 2016 to June 1, 2039 bearing various interest rates between 2.125% and 5.0%.

The District has pledged all of the Net System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $21,472,416. For the current year, principal and interest paid on the bonds were $1,003,995. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The district refunded the Water Revenue Refunding Bonds, Series 2009 to reduce its total debt service payments over 22 years by $3,683,827 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2,753,343.

The District placed the proceeds of the refunding issue plus additional District contributions in an irrevocable trust to provide for all future debt service payments on the old obligation. Accordingly, the trust account assets and the liability for the defeased obligation are not included in the District's financial statements. At June 30, 2017, $16,180,000 of the defeased obligation remains outstanding.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
2%-5%	2017-2036	$ -	$ 13,235,000	$ 690,000	$ 12,545,000
2.5%	2037-2039	-	2,755,000	-	2,755,000
		$ -	$ 15,990,000	$ 690,000	$ 15,300,000

Total certificates outstanding as of June 30, 2017, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2017	$ 15,300,000
Plus unamortized bond premium	1,277,297
Total bonds outstanding at June 30, 2017	$ 16,577,297

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7. Long-Term Debt (Continued)

c. *2016 Water System Refunding Revenue Bonds Payable (Continued)*

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 435,000	$ 540,413	$ 975,413
2019	460,000	518,663	978,663
2020	480,000	495,663	975,663
2021	505,000	471,663	976,663
2022	530,000	446,413	976,413
2023-2027	3,080,000	1,806,063	4,886,063
2028-2032	3,725,000	1,153,238	4,878,238
2033-2037	4,225,000	656,150	4,881,150
2038-2039	1,860,000	84,150	1,944,150
Total	$ 15,300,000	$ 6,172,416	$ 21,472,416

d. *2015 Water System Refunding Revenue Bonds Payable*

On August 27, 2015, the District issued Water System Refunding Revenue Bonds, Series 2015A in the amount of $23,455,000 for the purpose of refunding $26,290,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2006A. The 2015A bonds are limited obligation bonds maturing annually from December 1, 2015 to June 1, 2028 bearing various interest rates between 2.0% and 5.0%.

The District has pledged all of the Net System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $26,483,125. For the current year, principal and interest paid on the bonds were $2,409,375. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
2%-5%	2017-2027	$ 19,515,000	$ -	$ 1,375,000	$ 18,140,000
3%	2028	2,345,000	-	-	2,345,000
		$ 21,860,000	$ -	$ 1,375,000	$ 20,485,000

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7. Long-Term Debt (Continued)

d. *2015 Water System Refunding Revenue Bonds Payable (Continued)*

Total certificates outstanding as of June 30, 2017, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2017	$ 20,485,000
Plus unamortized bond premium	3,142,014
Total bonds outstanding at June 30, 2017	$ 23,627,014

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,440,000	$ 965,625	$ 2,405,625
2019	1,515,000	893,625	2,408,625
2020	1,590,000	817,875	2,407,875
2021	1,665,000	738,375	2,403,375
2022	1,750,000	655,125	2,405,125
2023-2027	10,180,000	1,868,875	12,048,875
2028-2031	2,345,000	58,625	2,403,625
Total	$ 20,485,000	$ 5,998,125	$ 26,483,125

e. *2007 Reassessment District 96-1 Limited Obligation Improvement Bonds*

In September 2007, the District issued Reassessment District 96-1 Limited Obligation Improvement Bonds, Series 2007 in the principal amount of $17,965,000 pursuant to the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds. The Bonds were issued upon and secured by unpaid reassessments levied against certain property within the District's Reassessment District 96-1. The proceeds were used to refund the outstanding principal amount of the District's Assessment District 96-1, Limited Obligation Improvement Bonds, to fund a reserve fund for the Bonds, and to pay the costs of issuance incurred in connection therewith.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees. Installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills sent to owners of property against which there are unpaid reassessments.

7. Long-Term Debt (Continued)

e. *2007 Reassessment District 96-1 Limited Obligation Improvement Bonds (Continued)*

A summary of the limited obligation bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
4-4.5%	2017-2023	$ 6,420,000	$ -	$ 815,000	$ 5,605,000
5%	2024-2028	6,065,000	-	-	6,065,000
		$ 12,485,000	$ -	$ 815,000	$ 11,670,000

The Limited Obligation Improvement Bonds outstanding at June 30, 2017, consist of serial certificates which mature annually from September 2, 2008, to September 2, 2022, and term certificates which mature on September 2, 2027.

Total certificates outstanding as of June 30, 2017, plus original issuance premium were as follows:

Principal outstanding at June 30, 2017	$ 11,670,000
Plus unamortized bond premium	28,471
Total bonds outstanding at June 30, 2017	$ 11,698,471

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 845,000	$ 531,131	$ 1,376,131
2019	880,000	494,465	1,374,465
2020	920,000	455,420	1,375,420
2021	955,000	414,285	1,369,285
2022	1,000,000	370,775	1,370,775
2023-2027	5,745,000	1,073,513	6,818,513
2028	1,325,000	33,125	1,358,125
Total	$ 11,670,000	$ 3,372,714	$ 15,042,714

8. Capital Contributions

Capital contributions for the years ended June 30 were as follows:

	2017	2016
Contributions of capital assets	$ 1,999,263	$ 1,508,273
Federal grants	-	-
Other grants	16,940	370,512
Total	$ 2,016,203	$ 1,878,785

9. Inventories

Inventories at June 30 consisted of the following:

	2017	2016
Water inventory	$ 186,912	$ 148,595
Materials inventory	1,477,219	1,378,952
	$ 1,664,131	$ 1,527,547

10. Pension Plans

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

a. General Information about the Pension Plans:

Plan Description

All qualified full-time District employees are required to participate in the District's Miscellaneous Plan with California Public Employee's Retirement System (CalPERS). CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The District selects certain benefit provisions from the CalPERS' menu by contract with CalPERS and adopts those benefits through the Board's approval. Benefits provisions and all other requirements are established by State statute, the District's resolutions, and the memorandum of understanding between the Olivenhain Municipal Water District and the Olivenhain Municipal Water District Employees Association and the Bargaining Unit Members Association. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA (Public Employees' Pension Reform Act)
Hire Date	Prior to January 1, 2013	January 1, 2013 and after
Benefit Formula	2.5% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rate	8%	6.25%
Required employer contribution rate	9.498%	6.555%

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10. Pension Plans (Continued)

a. General Information about the Pension Plans (Continued):

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2017 and 2016 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	2017	2016
Classic & PEPRA Plans	$ 11,018,852	$ 8,653,737
Total Net Pension Liability	$ 11,018,852	$ 8,653,737

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2016, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plans as of June 30, 2015 and 2016 was as follows:

	Classic & PEPRA Plans
Proportion - June 30, 2015	0.3155%
Proportion - June 30, 2016	0.3172%
Change - Increase (Decrease)	0.0017%

10. Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

For the years ended June 30, 2017 and 2016 respectively, the District recognized pension expense of $1,685,894 and $903,386. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,026,323	$ -
Differences between actual and expected experience	33,513	(7,679)
Change in assumptions	-	(317,066)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	791,343	(306,975)
Net differences between projected and actual earnings on plan investments	1,650,221	-
Total	$ 3,501,400	$ (631,720)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 937,828	$ -
Differences between actual and expected experience	56,960	-
Change in assumptions	-	(538,899)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,164,349	(185,943)
Net differences between projected and actual earnings on plan investments	-	(270,157)
Total	$ 2,159,137	$ (994,999)

10. Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

$1,026,323 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2018	$ 404,596
2019	297,923
2020	713,412
2021	427,426
2022	-
Thereafter	-

Actuarial Assumptions:

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Classic & PEPRA Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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10. Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Change of Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.65% used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

Discount Rate:

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

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10. Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued):

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Classic & PEPRA Plans
1% Decrease	6.65%
Net Pension Liability	$ 16,828,810
Current Discount Rate	7.65%
Net Pension Liability	$ 11,018,852
1% Increase	8.65%
Net Pension Liability	$ 6,217,211

c. Payable to the Pension Plan:

The District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

DRAFT DTD 11-7-2017

11. Health Savings Plan

VEBA is a Medical Savings Plan establishing a funded health reimbursement plan for eligible employees, former employees, and their dependents and beneficiaries as defined in the Plan pursuant to Internal Revenue Code Section 501 (c) (9). The District's VEBA plan was implemented on July 1, 2014 following the District's Board of Directors adoption of a resolution approving the VEBA program at the June 18, 2014 board meeting.

12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws. Commercial insurance expense amounted to $230,858 and $220,242 for the years ended June 30, 2017 and 2016, respectively.

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a risk pooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to $172,461and $200,350 for the years ended June 30, 2017 and 2016, respectively.

There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

<u>Real and Personal Property and Mobile Equipment:</u> For Real and Personal Property, maximum replacement is no more than 100% of value shown in Statement of Value. For Mobile Equipment, maximum replacement of 100% of value shown in Statement of Value, and $10,000 per item for unscheduled mobile equipment. Limits of insurance vary from $2,500 per occurrence to the Blanket Limit of Insurance, with deductibles ranging from $1,000 to $2,500 per occurrence. Limit of insurance for equipment breakdown is 100% of value shown in Statement of Value.

<u>Employee Dishonesty Coverage</u>: $250,000 limit with $1,000 deductible per occurrence.

<u>Forgery or Alteration Coverage</u>: $250,000 limit with $1,000 deductible per occurrence.

<u>Theft, Disappearance and Destruction Coverage</u>: $250,000 limit with $1,000 deductible per occurrence for both inside and outside.

<u>Computer Fraud Coverage</u>: $100,000 limit with $1,000 deductible per occurrence.

<u>Bodily Injury and Property Damage, Personal Injury and Advertising Injury, Professional Liability, Wrongful Acts, Employee Benefits Liability, and Employee Practices Liability Coverage</u>: $1,000,000 limit per occurrence with a $3,000,000 aggregate limit. Professional Liability and Wrongful Acts Liability are subject to a $10,000 deductible per claim. Additionally, the District carries a $10,000,000 Excess Liability Policy that is in full effect.

<u>Damage to Premises Rented to the District</u>: $1,000,000 limit for any one premise.

<u>Auto Coverage:</u> $1,000,000 liability limit, $5,000 auto medical payment limit and $1,000,000 uninsured motorist limit per accident with deductibles. Comprehensive and Collision limits are the actual cash value or cost of repair with deductibles of $500 for comprehensive and collision.

<u>Workers' Compensation Coverage and Employer's Liability:</u> Statutory limits per occurrence for Workers' Compensation and $5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage, effective July 1, 2016.

13. Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District continues to offset potable water consumption used for irrigation with recycled water through the expansion of its recycled water system. The prospect of future droughts as well as water supply shortages drives the need to diversify water supplies by developing alternative water sources locally to reduce reliance on potable water purchased from SDCWA. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

The District's recycled water system is comprised of two non-contiguous recycled water service areas, the Northwest and Southeast Quadrant. Recycled water sold by the District in the Northwest Quadrant is purchased from Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water sold by the District in the Southeast Quadrant comes from the District's 4S Water Reclamation Facility as well as the Rancho Santa Fe Community Services District and the City of San Diego.

14. Commitments and Contingencies

a. Contracts

The District has entered into contracts for the engineering and construction of additions to capital assets. Unfulfilled commitments under open contracts as of June 30 are summarized as follows:

	2017	2016
Total open contracts	$ 3,767,033	$ 10,711,266
Less costs incurred as of June 30,	(2,126,359)	(7,674,671)
Remaining contractual commitments	$ 1,640,674	$ 3,036,595

b. Litigation

Management is of the opinion that there are no legal litigations that would have a material effect on the basic financial statements.

c. Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

16. Segment Information

During the June 30, 2017 fiscal year, the District issued Water System Refunding Bonds, Series 2016A to refund the outstanding balance of the Water Revenue Refunding Bonds, Series 2009. During the June 30, 2016 fiscal year, the District issued Water System Refunding Bonds, Series 2015A to refund the outstanding balance of the Water Revenue Refunding Bonds, Series 2006A. While water and sewer services are accounted for jointly in these financial statements, the investors in both of the bonds rely solely on the revenues of the water services for repayment.

Summary financial information for the water services is presented for June 30, 2017.

Condensed Statement of Net Position
June 30, 2017

	Water Services
ASSETS	
Current Assets	$ 68,090,825
Capital Assets	330,125,182
Other Assets	253,664
Total Assets	398,469,671
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	1,925,853
Deferred amounts from pension	3,066,650
Total Deferred Outflows of Resources	4,992,503
LIABILITIES	
Current Liabilities	12,795,699
Long-Term Liabilities	72,929,551
Total Liabilities	85,725,250
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on pension	486,424
Total Deferred Inflows of Resources	486,424
Total Net Position	$ 317,250,500

16. Segment Information (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2017

	Water Services
Operating Revenues	
Water sales	$ 45,433,161
Other water operating revenues	2,217,932
Total Operating Revenues	47,651,093
Operating Expenses	
Cost of purchased water sold	24,568,731
Pumping and water treatment	3,988,991
Transmission and distribution	3,874,766
Elfin Forest recreation operations	316,387
Facilities maintenance	1,071,332
Customer services	1,789,423
General and administrative	5,181,547
Other operating expenses	388,995
Depreciation and amortization	12,978,014
Total Operating Expenses	54,158,186
Operating Income (Loss)	(6,507,093)
Nonoperating Revenues (Expenses)	
Fair market value adjustment	(242,535)
Investment income	438,031
Property taxes	3,414,858
Capacity charges	1,761,723
Benefit assessments	1,461,288
Other nonoperating revenues	278,589
Interest expense, net	(2,342,667)
Other nonoperating expenses	(678,664)
Total Nonoperating Revenues (Expenses)	4,090,623
Income (Loss) Before Capital Contributions	(2,416,470)
Capital Contributions	2,014,156
Change in Net Position	(402,314)
Net Position, Beginning of Year	317,652,814
Net Position, End of Year	$ 317,250,500

16. Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2017

	Water Services
Net cash provided by operating activities	$ 3,872,359
Net cash provided by noncapital and related financing activities	6,640,555
Net cash provided (used) by capital and related financing activities	(14,338,027)
Net cash used by investing activities	(2,749,693)
Net increase (decrease) in cash and cash equivalents	(6,574,806)
Cash and cash equivalents, beginning	34,194,160
Cash and cash equivalents, ending	$ 27,619,354

For the years ended June 30, 2017 and June 30, 2016

1. Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2007, the District commissioned a study of the physical condition assessment of the steel water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned the physical characteristics of a new tank. During fiscal year 2016-2017 inspections on the various tanks started in September 2016 and ended in April 2017.

1. Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets (Continued)

The following conditions were defined:

Condition	TAI Range
Very Good	9.0 - 10.0
Good	7.0 - 8.9
Satisfactory	5.0 - 6.9
Sub Standard	3.0 - 4.9
Unacceptable	1.0 - 2.9

The District policy is to achieve a minimum average rating of 5.0 for all tanks which is a satisfactory rating. As of June 30, 2017, 2016, 2015, 2014, and 2013 the District's steel water storage tanks were rated as follows:

				TAI				
Tank #	Name	Size (Gallons)	Type	FY 16/17	FY 15/16	FY 14/15	FY 13/14	FY 12/13
1	4 S-2 Tank	4,000,000	Ground Storage	8.7	9.0	9.1	9.2	9.3
2	Zorro Tank	1,200,000	Ground Storage	7.3	7.7	7.8	8	8.1
3	Wiegand Tank	1,000,000	Ground Storage	9.6	10.0	10.0	6.9	7.2
4	Peay Tank	10,000,000	Ground Storage	8.7	9.4	9.6	9.7	9.8
5	Denk Tank	10,000,000	Ground Storage	8.2	8.6	9.0	9.2	9.5
6	4S Tank	10,000,000	Ground Storage	7.8	8.0	8.3	8.4	8.7
7	Cielo Tank	1,000,000	Ground Storage	9.0	9.2	9.3	9.4	9.5
8	Roger Miller Tank	8,000,000	Ground Storage	8.6	9.3	6.8	6.9	7.7
9	Thelma Miller Tank	1,000,000	Ground Storage	8.9	8.0	8.1	8.5	8.7

The District expensed $708,786 and $673,666 on the steel water storage tanks maintenance for the fiscal years ended June 30, 2017 and 2016, respectively. These expenses delayed deterioration; however, the overall condition of the steel water storage tanks was not improved through these maintenance expenses. The District has estimated that the amount of annual expenses required to maintain the District's steel water storage tanks at the average TAI rating of 5.0 through the year 2017 is a minimum of $708,786. A schedule of actual expenses to maintain and preserve the steel water storage tanks at the current level is presented below:

		Maintenance Expenses 2017		Maintenance Expenses 2016		Maintenance Expenses 2015		Maintenance Expenses 2014		Maintenance Expenses 2013	
Tank #	Name	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
1	4 S-2 Tank	$ 49,776	$ 49,776	$ 47,309	$ 47,309	$ 44,843	$ 44,843	$ 44,843	$ 44,843	$ 44,483	$ 22,422
2	Zorro Tank	29,039	29,039	27,600	27,600	26,161	26,161	26,161	26,161	24,865	24,865
3	Wiegand Tank	21,814	21,814	20,733	20,733	19,652	19,652	19,652	19,652	19,129	19,129
4	Peay Tank	141,744	141,744	134,721	134,721	127,697	127,697	208,146	208,146	224,746	144,298
5	Denk Tank	150,280	150,280	142,834	142,834	135,387	135,387	135,387	135,387	233,698	233,698
6	4S Tank	142,404	142,404	135,348	135,348	128,292	128,292	128,292	128,292	220,664	220,664
7	Cielo Tank	24,912	24,912	23,678	23,678	22,443	22,443	22,443	22,443	34,682	34,682
8	Roger Miller Tank	125,803	125,803	119,570	119,570	113,336	113,336	113,336	113,336	197,965	197,965
9	Thelma Miller Tank	23,014	23,014	21,873	21,873	20,733	20,733	20,733	20,733	20,005	20,005
	Total	$ 708,786	$ 708,786	$ 673,666	$ 673,666	$ 638,544	$ 638,544	$ 718,993	$ 718,993	$ 1,020,237	$ 917,728

2. Schedule of Contributions – Defined Benefit Pension Plans

Olivenhain Municipal Water District

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 1,026,323	$ 898,330	$ 825,748
Contributions in relation to the actuarially determined contributions	1,026,323	898,330	825,748
Contribution deficiency (excess)	$ -	$ -	$ -
Covered - employee payroll	$ 6,392,406	$ 6,083,865	$ 5,906,665
Contributions as a percentage of covered - employee payroll	16.06%	14.77%	13.98%

Notes to Schedule:

Valuation Date	6/30/2015

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	21 years (2.5%@55), 30 years (2%@62)
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment; including inflation of 2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 (2.5%@55), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries. For more details on this table, refer to the 2014 experience study report.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

3. Schedule of Proportionate Share of the Net Pension Liability

Oliveinhain Municipal Water District

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	2017	2016	2015
Miscellaneous & PEPRA Plan			
Plan's Proportion of the Net Pension Liability	0.3172%	0.3155%	0.10475%
Plan's Proportionate Share of the Net Pension Liability	$ 11,018,852	$ 8,653,737	$ 6,517,867
Plan's Covered-Employee Payroll	$ 6,392,406	$ 6,083,865	$ 5,906,665
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.37%	142.24%	110.35%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.06%	79.86%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 1,196,711	$ 1,116,013	$ 862,289

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in discount rates.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

OLIVENHAIN
Municipal Water District

Agenda Item 7

Memo

Date: November 15, 2017

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: QUARTERLY INVESTMENT AND CASH POSITION REPORTS (INFORMATION ONLY)

Purpose

The purpose of this agenda is to provide third quarter (Q3) 2017 investment and cash information to the Finance Committee per the District's Investment Policy.

Recommendation

It is recommended that the Committee review and receive the attached report as presented.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy, which was adopted by the Board at the December 2016 board meeting.

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments and cash position to the Finance Committee for review and discussion.

Discussion

As of September 30, 2017, all investments are in compliance with the Board's Investment Policy. Staff will be available during the meeting to answer any questions that the Committee may have on the attached report.

Attachment: Monthly Cash and Investment Summary as of September 30, 2017 (Draft)

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of September 30, 2017

Active Deposits			Book Value
Checking Accounts			$ 7,124,396
Cash Restricted for Specific Use			363,172
Petty Cash/Disaster Preparedness			1,466
Total Active Deposits			$ 7,489,034
Deposits Not Covered by Investment Policy			
Cash with Fiscal Agents			4,380,883
Investments	**Face Value**	**Current Yield**	
LAIF	$ 10,153,216	1.111%	$ 10,153,216
CAMP	16,507,968	1.150%	16,507,968
Money Market Funds	372,506	0.010%	372,506
Commercial Paper	2,000,000	1.294%	1,983,223
Municipal Bonds	2,797,227	2.193%	2,838,965
U.S. Treasury Securities	2,000,000	0.879%	1,991,250
U.S. Agency Securities	25,864,286	1.239%	25,863,486
Total Investments	$ 59,695,202	1.220%	$ 59,710,613
Total - All Deposits/Investments			**$ 71,580,531**

Maturity Analysis of Investments

	Percent	Balance
Demand Deposits	45%	$ 27,033,690
Maturity within the next two months	2%	992,544
Maturity within three months and one year	7%	4,345,817
Maturity in one year and beyond	46%	27,338,562
Total Investments	**100%**	**$ 59,710,613**
Weighted Average Days to Maturity	**385**	

Other Required Disclosures:

Accrued interest receivable as of 09/30/2017 $ 140,441

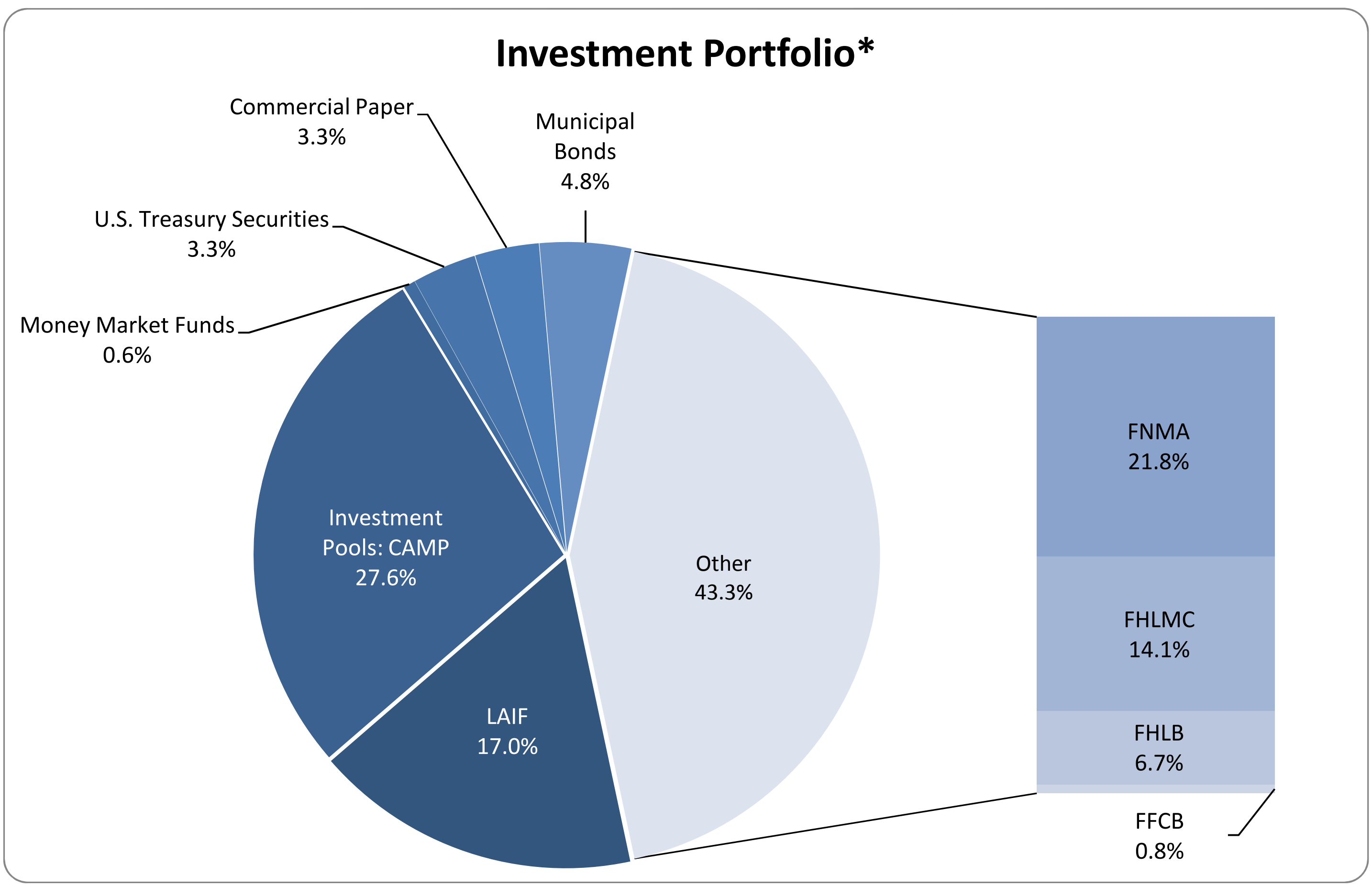
The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2016.

The District has sufficient funds on hand to meet the next 30 days' obligations.

Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
September 30, 2017

	Book Value	Percent	Permitted Percent		In Compliance?
LAIF	$ 10,153,216	17.0%	30%	(1)	Yes
Investment Pools: CAMP	16,507,968	27.6%	30%		Yes
Money Market Funds	372,506	0.6%	20%	(2)	Yes
U.S. Treasury Securities	1,991,250	3.3%	100%	(3)	Yes
U.S. Agency Securities	25,863,486	43.3%	50%		Yes
Commercial Paper	1,983,223	3.3%	20%	(4)	Yes
Municipal Bonds	2,838,965	4.8%	30%		Yes
Total Investments	**$ 59,710,613**	**100%**			

Note:
(1) No more than 30% of the total value of all District Investments or $20 million.
(2) May not exceed 5% in any money market fund.
(3) No limit
(4) No more than $1 million per issuer



* Total may not add up to 100% due to rounding.

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
September 30, 2017

ACTIVE DEPOSIT		Book Value
Checking A/C:	California Bank and Trust for General Purpose	$ 7,124,396
	California Bank and Trust for Specific Purpose	363,172
Petty Cash/Disaster Preparedness		1,466
	Total - Active Deposits	**$ 7,489,034**

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

	Union Bank - AD 96-1 Refi Bonds Funds	$ 2,913,169
	Union Bank - 2015A Refunding Funds	805,725
	SRF Loan	334,860
	Union Bank - 2016A Refunding Funds	327,129
	Total Deposits Not Covered by Investment Policy	**$ 4,380,883**

		RATING		DATE				Weighted Average Days to					
		Moody's	S&P	Purchase	Maturity	Next Call	Next S-U	Maturity	Call	*Stated Coupon*	*Current Yield*	Face Value	Book Value
INVESTMENTS													
Invest. Pools:	Calif. Asset Mgmt Prgm (CAMP)				Demand			1			*1.150%*	$ 16,507,968	$ 16,507,968
State Local Agency Investment Fund (LAIF)					Demand			1			*1.111%*	10,153,216	10,153,216
JP Morgan US Government Money Market Fund Premier Class SHS					Demand			1			*0.010%*	372,506	372,506
U.S. Treasury Notes/Bills													
912828L81	U.S.Treasury Notes	Aaa	AA+	11/03/15	10/15/18			381		*0.875%*	*0.879%*	$ 2,000,000	$ 1,991,250
								381		***0.875%***	***0.879%***	**$ 2,000,000**	**$ 1,991,250**
U.S. Agency Securities													
313383HB0	FHLB	Aaa	AA+	06/26/13	06/26/18			270		*1.250%*	*1.250%*	1,000,000	1,000,000
3130A52Q1	FFCB Callable	Aaa	AA+	04/28/15	04/28/20	anytime		942	1	*1.700%*	*1.700%*	464,286	464,286
3135G0J46	FNMA Callable	Aaa	AA+	02/26/16	02/26/19	11/26/17		515	58	*1.250%*	*1.250%*	2,000,000	2,000,000
3135G0J95	FNMA Callable	Aaa	AA+	04/28/16	10/28/19	10/28/17		759	29	*1.350%*	*1.350%*	1,000,000	1,000,000
3134G9UN5	FHLMC Step-Up Callable	Aaa	AA+	06/30/16	06/30/21	09/30/17	12/30/18	1,370	1	*1.300%*	*1.297%*	1,000,000	1,002,000
3134G9ZN0	FHLMC Step-Up Callable	Aaa	AA+	06/30/16	06/30/20	09/30/17	06/30/18	1,005	1	*1.250%*	*1.249%*	1,000,000	1,001,000
3135G0L76	FNMA Callable	Aaa	AA+	07/11/16	07/11/19	10/11/17		650	12	*1.075%*	*1.075%*	2,000,000	2,000,000
3136G3A96	FNMA Callable	Aaa	AA+	07/27/16	01/27/20			850		*1.125%*	*1.125%*	2,000,000	2,000,000
3136G3XC4	FNMA Callable	Aaa	AA+	07/27/16	07/27/18			301		*0.800%*	*0.801%*	1,000,000	999,000
3134G92L0	FHLMC Step-Up Callable	Aaa	AA+	08/17/16	08/17/21	11/17/17	08/17/19	1,418	49	*1.400%*	*1.400%*	1,000,000	1,000,000
3136G3V85	FNMA Callable	--	AA+	08/24/16	02/24/20			878		*1.250%*	*1.250%*	1,000,000	1,000,000
3134GAJX3	FHLMC Step-Up Callable	Aaa	AA+	09/27/16	09/27/19	12/27/17	03/27/18	728	89	*1.250%*	*1.250%*	1,000,000	1,000,000
3134GAJS4	FHLMC Step-Up Callable	Aaa	AA+	09/28/16	09/28/18	12/28/17	03/28/18	364	90	*1.250%*	*1.250%*	1,000,000	1,000,000
3130A9NH0	FHLB Callable	Aaa	AA+	10/11/16	10/11/18			377		*1.000%*	*1.000%*	2,000,000	2,000,000
3136G4DR1	FNMA Callable	Aaa	AA+	10/17/16	10/17/19	10/17/17		748	18	*1.100%*	*1.101%*	1,000,000	999,000
3136G4GE7	FNMA Callable	Aaa	AA+	11/15/16	11/15/19	11/15/17		777	47	*1.125%*	*1.126%*	2,000,000	1,998,200
3136G4KB8	FNMA Callable	Aaa	AA+	12/30/16	03/30/20	09/30/17		913	1	*1.650%*	*1.650%*	1,000,000	1,000,000
3134GAH64	FHLMC NTS	Aaa	AA+	01/26/17	07/26/19	10/26/17		665	27	*1.500%*	*1.500%*	400,000	400,000
3134GBKM3	FHLMC MTN Step-Up	Aaa	AA+	05/11/17	05/11/20	11/11/17	11/11/17	955	43	*1.250%*	*1.250%*	1,000,000	1,000,000
3134GBQV7	FHLMC Callable	Aaa	AA+	05/30/17	11/22/19	11/22/17		784	54	*1.500%*	*1.500%*	1,000,000	1,000,000
3134GBTA0	FHLMC Step-Up Callable	Aaa	AA+	06/22/17	12/22/20	12/22/17	12/22/17	1,180	84	*1.400%*	*1.400%*	1,000,000	1,000,000
3130ABSP2	FHLB Callable	Aaa	AA+	07/26/17	07/26/19	07/26/18		665	300	*1.500%*	*1.500%*	1,000,000	1,000,000
								749	**53**	***1.239%***	***1.239%***	**$ 25,864,286**	**$ 25,863,486**
Commercial Paper													
46640QD57	JP MORGAN SECS DC/P	P-1	A-1	08/10/17	04/05/18			188		*1.443%*	*1.439%*	1,000,000	990,678
36164JXQ2	GE CAPITAL TREAS DC/P	P-1	A-1+	02/22/17	10/24/17			25		*1.124%*	*1.124%*	1,000,000	992,544
								106		***1.283%***	***1.294%***	**$ 2,000,000**	**$ 1,983,223**
Municipal Bonds													
052476N79	AUSTIN TEX WTR REV	AA2	AA	11/15/16	05/15/21			1,324		*2.544%*	*2.455%*	$ 1,000,000	$ 1,036,460
834666GG8	SOMERSET CNTY NJ REV	AAA	AAA	06/23/17	05/15/18			228		*3.320%*	*3.263%*	350,000	356,139
882806EL2	TEXAS TECH UNIV REVS	AA1	AA+	01/12/17	02/15/19			504		*1.804%*	*1.789%*	500,000	504,115
13066YTY5	CALIF ST DEPT REV	AA1	AA	12/02/16	05/01/21			1,310		*1.713%*	*1.733%*	492,227	486,660
95648XBJ3	WEST VA ECON REV	A1	AAA	09/18/17	07/01/19			640		*1.700%*	*1.698%*	455,000	455,592
								929		***2.225%***	***2.193%***	**$ 2,797,227**	**$ 2,838,965**
	Total Investments							**385**		***1.220%***	***1.220%***	**$ 59,695,202**	**$ 59,710,613**

TOTAL - ALL DEPOSITS AND INVESTMENTS **$ 71,580,531**

Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
September 30, 2017

PURCHASED

DATE					*Stated*	*Current*		
Purchase	Maturity	Call	Step-Up	Investment Description	*Coupon*	*Yield*	Face Value	Book Value
09/18/17	07/01/19			WEST VA ECON REV	*1.700%*	*1.698%*	455,000	455,592

MATURED / REDEEMED / CALLED

DATE					*Stated*	*Current*		
Redemption	Maturity	Call	Step-Up	Investment Description	*Coupon*	*Yield*	Face Value	Book Value
09/23/17	06/23/21	09/23/17	09/23/17	FHLB Step-Up Callable	*1.250%*	*1.250%*	1,000,000	1,000,000
09/08/17	09/08/17			Wells Fargo & Co Mtn	*1.400%*	*1.394%*	450,000	452,095
09/15/17	09/15/17			Private Export Funding Corp.	*5.450%*	*4.501%*	225,000	272,462

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of September 30, 2017

Water Funds (Potable & Recycled)			**Balance**
10050-100	Cash - Petty Cash Fund	$	1,466
10030-100	Cash - Capital and Equipment Fund		18,571,957
10010-100	Cash - Operating Fund		8,164,822
10060-100	Cash - Deposit Work for Other		239,612
10040-100	Cash - Rate Stabilization		7,626,138
10010-120	Cash - Recycled Fund		7,738,114
10030-120	Cash - Capital Replacement Fund		1,361,992
14005-100	Cash - IRWMP - Grant		129,164
Total Water Funds (Potable & Recycled)		**$**	**43,833,265**
Wastewater Funds			
10010-110	4S Ranch Sanitation District - Operating Fund		168,864
10030-110	4S Ranch Sanitation District - Capital Replacement Fund		10,725,178
10040-110	Wastewater - Rate Stabilization Fund		2,467,803
10010-111	Rancho Cielo Sanitation District - Operating Fund		235,046
Total Wastewater Funds		**$**	**13,596,890**
Capacity Fee Funds			
10030-400	Expansion Fund - Recycled Water		1,211,251
14000-500	Capacity Fee Fund - Treated Water		8,195,070
Total Capacity Fee Funds		**$**	**9,406,321**
Non Fiscal Agent Debt Service Cash			
14020-570	Cash non-agent - RAD 96-1		343,747
14020-561	Cash non-agent - Bond 2015A		5,558
14020-581	Cash non-agent - Bond 2016A		13,866
Total Non Fiscal Agent Debt Service Cash		**$**	**363,172**
Debt Service Funds			
14030-510	SRF Loan - Fiscal Agent		334,860
14100-570	Redemption fund - RAD 96-1		1,466,638
14110-570	Reserve fund - RAD 96-1		1,397,243
14120-570	Prepayment fund - RAD 96-1		49,287
14100-561	Redemption fund - Bond 2015A		805,725
14100-581	Redemption fund - Bond 2016A		327,129
Total Debt Service Funds		**$**	**4,380,883**
TOTAL FUND BALANCES		**$**	**71,580,531**

Agenda Item 8

Memo

Date: November 15, 2017

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **REVIEW OF FUND BALANCES AND INVESTMENT POLICY**

The Finance Committee will receive a copy of the District's reserve balances and proposed changes to the District's Investment policy for discussion. The District's fund balances and Investment Policy are being reviewed annually per the Board's policy.

Following committee review and approval, a copy of these reports will be included in the December 13, 2017 board meeting for Board's consideration and approval.

Staff will be available for discussion during the meeting.

Olivenhain Municipal Water District
WATER (Potable & Recycled) Minimum and Maximum Balances

Fund Description	*Min/Max* FY 2017	As of 6/30/2017
Operating Fund - Water (Potable & Recycled)		**15,662,343**
Min 60 days Operating Expenditures	12,804,603	TRUE
Max 120 days Operating Expenditures	17,825,205	
Capital Improvement Fund - Water		**28,916,300**
Min 1 Fiscal Year CIP and Capital Items	8,056,100	TRUE
Max 5 Fiscal Year CIP and Capital Items	40,280,500	
Rate Stabilization Fund - Water		**7,608,763**
Min 25% Net Water Sales	5,145,000	TRUE
Max 50% Ave Next 2 FY Net Water Sales	10,662,101	

Olivenhain Municipal Water District
WASTEWATER Minimum and Maximum Balances

Fund Description	*Min/Max* FY 2017	As of 6/30/2017
Operating Fund - Wastewater		**1,514,604**
Min 180 days of next year	1,491,781	TRUE
Max next year budget	3,025,000	
Capital Improvement Fund - Wastewater		**10,613,103**
Min 2 yr. NPV of approved 10 Yr. CIP	3,762,400	FALSE
Max 5 yr. NPV of approved 10 Yr. CIP	9,406,000	
Rate Stabilization Fund - Wastewater		**2,462,180**
Min 25% of current year budget	734,250	TRUE
Max average of the next 4 years	3,163,750	

TOTAL		**66,777,293**
	cross check	-

M:\Finance\Monthly Investment Report\Investment Report FY 2016-2017\Cash Balances v. Balance Policies\FY 17 Cash Account Balances v. Balance Policies

INVESTMENT POLICY

I. INTRODUCTION

The purpose of this document is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of this policy is to enhance the economic status of the District while protecting its funds. These policies shall be followed by the Treasurer in making all investment decisions on behalf of the District.

The Board of Directors of the District has delegated authority to invest funds on behalf of the District to its Treasurer for one (1) year. The Treasurer is required to provide a monthly report of all District investments to the Board. The Treasurer's authority to make investments for the District under this policy is limited to a one (1) year term expiring on December 31, 2018. This authority may be renewed annually at the discretion of the Board of Directors of the District.

This investment policy is intended to guide the Treasurer in the investment of all District funds. These investment policies have four primary goals:

1. To ensure that all District investments comply with federal, state, and local laws governing the investment of all District funds;

2. To recognize that the primary objective of all District investments is to safeguard the principal invested;

3. To recognize that the second objective of all District investments is to meet the liquidity needs of the District; and

4. To maximize the return on all District investments keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained.

II. SCOPE

This investment policy shall cover all funds and investment activities under the direct authority of the District, except for the employee's retirement and deferred compensation funds, bank checking accounts, and Bond Project and Reserve Funds.

III. OBJECTIVES

A. Safety. It is the primary duty and responsibility of the Treasurer to protect and preserve the principal of all District funds and investments. Prior to investing any District funds, the investment shall be evaluated by the Treasurer to ensure that capital losses are avoided whether from institution default, broker-dealer default, or erosion of the market value of the securities. The Treasurer shall evaluate, or cause a qualified professional to evaluate, each potential investment of District funds to verify that the issuer is financially strong and there is adequate security as collateral for each investment sufficient to protect the principal being invested. The Treasurer shall diversify District investments so as to reduce the exposure to principal loss.

B. Liquidity. An adequate percentage of all District investments shall be maintained at all times in liquid short-term securities which can be converted to cash if necessary to meet the District's financial obligations. The Treasurer should consider the District's liquidity needs over the next year in determining the amount that should be maintained in short term instruments. Since all future cash requirements of the District cannot be anticipated, the Treasurer shall, at all times, invest a portion of all District investments in liquid short-term securities that are readily tradable so as to meet the ongoing liquidity needs of the District. These short-term securities shall be selected in a manner that minimizes market risk and provides for the anticipated needs of the District over the next year.

C. Return on Investments. The Treasurer should invest all District funds in investments that maximize the return for the District keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained. All investment decisions made by the Treasurer shall be, first, to ensure protection of the principal of all District funds and investments, second, to provide adequate liquidity for the District's future needs, and third, to maximize return where possible without jeopardizing the principal or creating liquidity problems for the District.

D. Market-Average Rate of Return. The investment portfolio shall be designed to attain a market-average rate of return throughout economic cycles, taking into account the District's risk and liquidity constraints, the cash flow characteristics of the portfolio, State laws limiting District investments, and ordinances or resolutions that restrict investments. To determine if the District is attaining its return objectives, the Treasurer will periodically review the portfolio's performance against an appropriate benchmark(s)~~The market-average rate of return is defined as the rolling average of the 2 year Constant Maturity Treasury yields~~.

~~D.~~E. Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The amount

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invested by the Treasurer in a particular security at any time shall not exceed the limitations contained in Section VII of this Investment Policy.

~~E.~~F. Prudence. The District adheres to the guidance provided by the "Prudent Investor Rule" California Government Code (Sec. 53600.3), which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

The Treasurer and all other individuals assigned to manage the District's investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported monthly and appropriate action is taken to control adverse developments.

~~F.~~G. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to review and evaluation by the Board. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and these losses must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been obtained.

H. Risk Tolerance. The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in diversifying the District's investments as a way to minimize default risk. No individual investment transaction shall be undertaken by the Treasurer which jeopardizes the total capital position of the overall portfolio or which exceeds the investment limitations contained in Section VII of this policy. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

Risk will also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by investing to ensure required liquidity and appropriate term. This philosophy also prohibits trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied by any other means. Loss of principal will only be acceptable if economic gain can be conclusively demonstrated.

Controlling and managing risk is the foremost portfolio management objective. The District strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is consistent the rolling average of the 2 year Constant Maturity Treasury yields. In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All book-entry transactions will be executed on a delivery-versus-payment basis.

2. A competitive bid process, when practical, will be used to place all investment purchases and to minimize investment costs.

IV. DELEGATION OF AUTHORITY

The investment of District money is delegated to the Treasurer by the Board of Directors for one year ending December 31, 2018. The Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program. At least once each quarter, a sub-committee of the Board shall meet with the General Manager or his/her designee to review the District's portfolio and provide guidance for future investments. All transactions will be reviewed by the Treasurer on a regular basis to assure compliance with this Statement of Investment Policy and a monthly report shall be provided to the Board on all District investments.

V. REPORTING

Although it is no longer required for the Treasurer of a local agency to annually render a statement of investment policy to the legislative body and submit a quarterly investment report to the legislative body (Government Code Section 53646 (b)), the District Treasurer and General Manager shall submit a monthly investment report to the Board of Directors. This report shall include: type of investment, issuer, date of maturity, the par and dollar amount invested on all securities, the total amount of all investments and monies held by the District, a description of any District funds being held or managed by other persons or entities, the coupon and current yield ~~current market value~~ of all securities, ~~the annual rate of return on each investment~~, a statement that there are or are not sufficient funds to meet the District's obligations for the next six (6) months, and ~~all~~

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accrued interest receivable ~~earned.~~ The monthly statement shall also indicate the District's anticipated liquidity needs for the next six (6) months, the ability of the District's investments to meet these anticipated liquidity needs, and a monthly list of transactions, which is required under Government Code 53607 whenever investment authority is delegated by the Board. Additional items listed will also include average weighted ~~yield,~~ average days to maturity, maturity date, purchase date, percentage distribution to each type of investment, and a statement indicating compliance or noncompliance of all District investments with this Statement of Investment Policy. All investments not complying with this investment policy shall be called to the attention of the Board and discussed as a separate agenda item during the first monthly meeting after an investment does not comply with this policy.

VI. AUTHORIZED INVESTMENT INSTRUMENTS

The District is governed by the California Government Code, Sections 53600 et seq. For all investment types, the purchase of zero coupon, inverse floaters, range notes, strips, mortgage derived interest-only strips, deep discount treasury bonds, or any security that could result in zero interest accrual if held to maturity is not permitted (Government Code Section 56301.6). Within the context of these limitations, the following investments are authorized:

A. Local Agency Investment Fund: The District may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (Government Code Section 16429.1). The fund must have twenty-four hour liquidity. No more than 30% of the total value of all District investments or $20,000,000 (whichever is lesser) may be invested in Local Agency Investment Fund.

The District may also invest bond proceeds in the Local Agency Investment Fund. Liquidity for bond proceeds, per fund regulations, is thirty calendar day increments from the date of the initial deposit.

B. Treasury Securities: United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (Government Code Section 53601(b)). These investments are considered the safest possible investment available. There is no maximum portfolio limit. Maximum investment maturities in Treasury Securities shall be restricted to five years.

C. Depository Accounts: The District may invest in insured or collateralized certificates of deposits, saving accounts, market rate accounts, or other bank deposits insured by commercial banks, savings and loans, state or federal credit union in California (Government Code Section 53630 et seq). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All financial institutions are required to provide the District with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool. Certificates of deposit, in combination with Placement Service Certificates of Deposit and Negotiable Certificates of Deposit shall not exceed 30% of the value of all District investments at any time.

Deposits, up to the federal deposit limit, are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), regardless of Moody's Investors Service or Standard & Poor's Corporation ratings. The Treasurer, for deposits of up to federal insurance limit may waive collateral requirements. A maximum deposit of up to federal insurance limit may be deposited in any one institution without collateral. No bank shall receive District funds of greater than federal insurance limit if it has a Moody's Investor Service or Standard & Poor's Corporation rating less than "A". Maximum investment maturity will be restricted to three (3) years.

In accordance with section 53638 of the California Government Code, any deposit shall not exceed the shareholder's equity of any depository bank, nor shall the deposit exceed the total net worth of any institution. No deposits shall be made at a state or federal credit union if a member of the Board of Directors or the General Manager or Treasurer serves on the Board of Directors or any committee appointed by the Board of Directors of the credit union.

D. Placement Service Deposit: The District may invest in insured deposit placed with a private sector entity that assists in the placement deposits with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. Placement Service Deposit, in combination with Certificates of Deposit and Negotiable Certificates of Deposit shall not exceed 30% of the value of the District's investments at any time. The maximum investment maturity will be restricted to three years.

E. Negotiable Certificates of Deposit: Negotiable certificates of Deposits issued by a national or a State-chartered or a State or Federal association or by a federally licensed or State-licensed branch of a foreign bank (Government Code Section 53601(i)). Maximum investment maturity is restricted to two years for notes rated "AA-"or higher and five years for "AAA" rated notes. Negotiable Certificates of Deposit, in combination with Certificates of Deposit and

Placement Service Certificates of Deposit shall not exceed 30% of the value of all District investments at any time.

F. Commercial Paper: Investment is limited to the highest grade of stand alone or enhanced (“prime”) commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services (A1/P1/F1) issued only by a general corporation that is organized and operating within the United States, and having total assets in excess of $500 million and has debt other than commercial paper that is rated “A” or higher by Moody’s, S&P, or Fitch (Government Code Section 53601(h)). Purchases of commercial paper shall not exceed 10% of the outstanding paper of the issuing corporation. The maximum investment maturity for commercial paper shall be restricted to 270 days. Purchases of commercial paper shall not exceed 20% the total value of all District investments at any time and single-issuer holdings to no more than $1,000,000 per issuer.

G. Medium Term Notes: Medium term notes are corporate or bank notes with a maximum remaining maturity of 5 years or less. Investment is limited to “AA- “ rated or higher notes, from a nationally recognized rating service like Moody’s Investor Service or Standard and Poor’s Corporation. All such notes shall be solely from corporations organized and operating in the U.S. or banks licensed in the U.S. or any state and operating in the United States. Permissible types of notes include fixed rate and variable rate. Maximum investment maturity is restricted to two years for notes rated “AA-“ or higher and five years for "AAA" rated notes. Medium term notes shall not exceed 15% of all District investments at any time.

H. Agencies: The District is permitted to invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued and fully guaranteed as to principal and interest by federal agencies or United States government sponsored enterprises (Government Code 53601(f)). Maximum maturity is limited to 5 years. The amount invested in agencies shall not exceed 50% of all District investments at any time.

I. Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following) (Government Code 53601(l)(2)). Investments are limited to those money market funds that invest in U.S. Treasuries, Federal Agency obligations, and repurchase agreements relating to such obligations. Funds must have the highest ranking or the highest letter and numerical rating by not less than two nationally recognized rating services, or have an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of $500,000,000. No more than 5% of the value of all District investments shall be invested in any fund and no more than

20% of the value of all District investments may be invested in all money market funds combined. Any fund shares purchased will not include any type of commission.

J. Banker's Acceptances: Bankers' acceptances are bills of exchange or time drafts drawn on and accepted by a commercial bank (Government Code 53601(g)). Purchases of banker's acceptances may not exceed 180 days maturity as per Government Code Section 53601 (g). Maximum portfolio exposure will be limited to 20% of the total value of all District investments at any time and single issuer holdings to no more than 3% per issuer. Banker's acceptances shall not be purchased by the Treasurer without the prior approval of the Board.

K. Repurchase Agreements and Reverse Repurchase Agreements: A Repurchase Agreement is a purchase of securities by the District under an agreement with another party who will repurchase these securities on or before a specified date and for a specified amount and the other party delivers the underlying securities to the District by book entry, physical delivery, or by third-party custodial account. A Reverse Repurchase Agreement means a sale of securities by the District under an agreement where the District will repurchase the securities on or before a specified date. While Repurchase Agreements and Reverse Repurchase Agreements are permitted by state law (Government Code 53601(j)), the Treasurer shall not purchase any securities under a Repurchase Agreement or a Reverse Repurchase Agreement unless it has first been approved by the Board of Directors of the District. State law prohibits Repurchase Agreements unless the underlying value of the securities covering the Repurchase Agreement are valued at least 102% or greater of the funds borrowed against those securities and this value must be adjusted no less than quarterly. Collateral for repurchase agreements is limited to obligations of the United States government and its agencies. Reverse Repurchase Agreements are only permitted by state law where the security being sold by the District has been owned and fully paid for by the District for a minimum of thirty (30) days prior to sale, The agreement may not exceed a term of 90 days unless the agreement includes a provision guaranteeing a minimum earning or spread for the entire period between the sale of a security and the final maturity date.

The amount invested repurchase agreements shall not exceed 20% of all District investments at any time. The amount invested in reverse repurchase agreements shall not exceed 10% of the base value of the District's portfolio at any time.

L. Local Government Investment Pool: Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in the Government Code(Government Code 53601(p)). Investments are limited to pools that seek to maintain a constant net asset value and which are rated "AA" or better. Local Government Investment Pools shall not exceed 30% of the value of all

District investments at any time.

M. Municipal Bonds: The Treasurer is authorized to invest in registered treasury notes or bonds of any of the 50 United States payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three ratings as follows: “A1” by Moody’s Investors Service, or “A+" by Standard & Poor’s, or “A+" by Fitch Ratings; or as otherwise approved by the Board; or

Registered general obligation treasury notes or bonds of any of the 50 United States. Such securities must have ratings from two of three rating agencies as follows: at least “A3” by Moody’s Investors Service, or “A-" by Standard & Poor’s, or “A-" by Fitch Ratings; or as otherwise approved by the Board; or

Adjustable rate registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three rating agencies as follows: “P-1” by Moody’s Investors Service, or “A-1+" by Standard & Poor’s, or “F-1+" by Fitch Ratings; or as otherwise approved by the Board; or.

Adjustable rate notes or bonds warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either “P-1” by Moody’s Investors Service, or “A-1+” by Standard & Poor’s, or “F-1+” by Fitch Ratings, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state; or.

Taxable or tax-exempt bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either “A1” by Moody’s Investors Service, or “A+” by Standard & Poor’s, or “A+” by Fitch Ratings (the minimum rating shall apply to the local agency, irrespective of any credit enhancement), including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state.

The amount invested in municipal securities shall not exceed 30% of all District investments at any time.

N. Permitted Investments Without Board Approval: The Treasurer is authorized to invest District funds in federally insured or collateralized depository accounts, the Local Agency Investment Fund, treasury securities, negotiable certificates of deposit, commercial paper, medium term notes, agencies and money market funds meeting all requirements of this investment policy for the particular investment being purchased without prior Board approval. All other investments such as banker's acceptances, Repurchase Agreements, Reverse Repurchase Agreements, and investments in the San Diego County Investment Pool shall only occur with prior approval of the Board. The Treasurer shall ensure that all investments made on behalf of the District meet all of the minimum requirements contained in this Investment Policy.

VII. PORTFOLIO LIMITATIONS

Following is a listing of potential authorized investments with corresponding limitations on the amount of the District's portfolio that may be invested in each authorized investment at any given time:

Investment Description	**Percentage Limitation**	***Dollar Limitation***
Local Agency Investment Fund	30%	$20 million
Treasury Securities	None	-
Certificates of Deposit, Placement Service Deposits and Negotiable Certificates of Deposit	30%	Placement service deposits may be made up to FDIC limit per financial institution
Local Government Investments Pools	30%	-
Commercial Paper	20%	no more than $1 million per issuer
Medium Terms Notes	15%	-
Agencies	50%	-
Money Market Funds	20%*	-
Investments Pools	30%	-
Municipal Bonds	30%	-
Bankers Acceptances	20%	No more than 3% per issuer
Repurchase Agreements	20%	-
Reverse Repurchase Agreements	10%	-

* May not exceed 5% in any money market fund.

Banker's acceptances, Repurchase Agreements, Reverse Repurchase Agreements, and other investments other than those expressly permitted by subsection (L) above are permitted only with the prior approval of the Board.

The weighted average days to maturity of the total portfolio shall not exceed the liquidity requirements of the District for the next six months based upon on-going staff analyses.

In the event that the percentage limits attributable to each security type are violated due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and as such a small temporary imbalance would not violate this basic tenet. When a portfolio percentage is exceeded the Treasurer will report the violation in the Treasurers Report at the next regularly scheduled Board meeting, with detail of the strategy determined to address the imbalance, for Board ratification. However, the Treasurer shall meet the portfolio percentages required by this investment policy at the end of each month, unless waived by the Board.

VIII. BOND PROCEEDS, BOND RESERVE FUNDS AND BOND SERVICE FUNDS

Investment of bond proceeds and amounts held in bond reserve and service funds are to be made in accordance with the related bond indentures.

IX. INTERNAL CONTROLS

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the District. Controls deemed most important include: control of collusion; separation of duties and administrative controls; custodial safekeeping; clear delegation of authority; management review and approval of investment transactions; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and code of ethic standards.

Existing procedures require all wire transfers initiated by the Finance Department be reconfirmed by the appropriate financial institution. In addition, the District's signatory resolution specifies authorized signers and number of required signatures for different disbursement transactions. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis. A listing of all investment transactions is provided on a monthly basis to the Board of Directors for their approval. Current policy also requires that the Treasurer's approval be obtained for the purchase or sale of securities other than transfers to/from investment pools or money market funds.

An independent analysis by an external auditor shall be conducted annually to review internal controls, account activity and compliance with policies and procedures.

X. QUALIFIED BANKS AND SECURITIES DEALERS

The District shall conduct business only with nationally or state chartered banks, savings and loans or credit unions that are licensed and operating in the United States or a state of the United States, and registered investment securities dealers. The District's staff will investigate all institutions that wish to conduct business with the District prior to any District investment in the institution. All banks shall have a minimum rating of "A" by Moody's or Standard and Poor. A list will be maintained by the Finance Manager of approved institutions and security broker/dealers. A bank rating service will be used by staff to verify financial information provided by a financial institution or dealer. Annually, the Treasurer shall transmit a copy of the current Statement of Investment Policy to all approved dealers. The dealer is required to return a signed statement indicating receipt and understanding of the District's Investment Policies. Primary dealers of the Federal Reserve may provide substitute certification language at the discretion of the Treasurer.

XI. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally the Treasurer and the Finance Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). All officers and employees involved in the investment of public funds are required to comply with the District's Conflict of Interest Code. The Treasurer and any District employees or agents evaluating any investment for the District shall disclose any interest owned or held in any institution or investment being considered by the District prior to the investment.

XII. BOARD DISCRETION

The District recognizes that this policy consists of guidelines designed to protect District funds and to provide liquidity for the on-going District operations. The Board of Directors may timely approve, on an individual basis, investments which would otherwise not be in accordance with this policy, in the event of unforeseen circumstances, so long as the investment is permitted by state law.

XIII. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of a security dealer, all book-entry securities owned by the District, including repurchase agreement collateral previously approved by the Board, shall be kept in safekeeping with "perfected interest" by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and by the District. All book-entry securities will be received and delivered using standard delivery-versus-payment procedures.

XIV. INTEREST EARNINGS

All monies earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio.

XV. PROHIBITED INVESTMENTS

The Treasurer shall not invest any funds of the District in inverse floaters, range notes, or mortgage derived interest-only strips at any time. The Treasurer shall not invest any funds of the District in any security that could result in zero interest accrual if held to maturity. (Gov't Code §53601.6).

XVI. INVESTMENT PURCHASES

Any investments that the Treasurer purchases for the District that are not purchased directly from the issuer shall be purchased either from an institution licensed by the State of California as a broker/dealer or from a member of a federally registered securities exchange, from a national or state-chartered bank, from a savings association or a federal association, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank. (Gov't Code §53601.5)

XVII. QUARTERLY REPORTS

At least once each quarter, the District's Finance Officer shall provide an oral report to the Finance Committee, comprised of the District's treasurer and one board member, evaluating the safety of all District investments and advising the committee of any investments of the District that represent a credit risk.

XVIII. TREASURER'S AUTHORITY AND REVIEW OF INVESTMENT POLICY

The Authority of the Treasurer to make investment decisions on behalf of the District shall automatically expire on December 31, 2018 unless renewed or extended by formal action of the Board of Directors of the District. This investment policy shall be presented to the Board of Directors of the District by no later than December 31, 2018 and annually thereafter.

Agenda Item 9

Memo

Date: November 15, 2017

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **REVIEW AND DISCUSS OMWD PROPOSED TRAVEL AND EXPENSE REIMBURSEMENTS POLICY**

The Finance Committee will receive a draft copy of the proposed travel policy. The District's existing travel policy needs an update to stay compliance with Internal Revenue Service codes and regulations on travel expense reimbursements and credit card use.

Following committee approval, the proposed policy will be included in the December 13, 2017 board meeting for consideration and approval.

Starting in December 2017, credit card charges will be included in the Monthly Expense Reimbursement Report to the Board.

Staff will be available during the meeting to answer questions.

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Sec. 19.4. Travel. Travel is defined as all mode of transportation necessary for authorized attendees including board members and employees at meetings, conferences, seminars, training, and professional functions outside the District offices that involve the interests of the District and is authorized in the Administrative and Ethics Code or by Board action. The District will reimburse expenses incurred by board members or employees in connection with authorized attendance at meetings, conferences, seminars, and professional functions that take place away from District offices as follows:

A. Reimbursement of Expenses:

Reimbursement of travel expenses will not be considered taxable income to the employee or the board member for income tax purposes so long the District's reimbursement policy and procedures meets the rules of being an Accountable Plan in accordance with the Internal Revenue Code (IRC). As an Accountable Plan all expenses mush have a business connection that is included in the supporting documentation accompanying the reimbursement request. The reimbursement request must be submitted within reasonable period of time and should any excess reimbursement occur, it must be returned to the District within a reasonable period of time.

Travel Expenses shall be budgeted by District staff as part of the annual budget process. Any travel expenses approved with the budget shall be considered authorized for that fiscal year only. An "Employee Expense Claim Form" or a "Director's Fee/Per Diem/Expense Claim Form" must be completed for reimbursement of expenses (referred to as a claim form).

B. Travel Arrangements

All travel arrangements that can practically be made in advance (such as reservation for airfare, lodging, and transportation) will be made by the District, unless otherwise approved by the General Manager.

Travel must be pre-authorized and verified to be eligible for reimbursements prior to making travel arrangements. The District reserves the right to deny reimbursement of unplanned travel expenses and for failure to comply with District's Administrative and Ethics Code.

B. Transportation

Travel must be by the most direct route, considering the mode of transportation used. The mode of transportation used shall be selected on the basis of the lowest overall cost to the District after all costs are considered,

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including the travel time and the salary of the employee; provided, however, that travel by common carrier bus shall not be required.

Additional expense resulting from travel by an indirect route for the personal interest of board members or employees is not chargeable to the District. These expenses need to be included and reported on claim forms for reimbursement and identified as chargeable to the board member or employee.

Trips, which require travel in excess of 200 miles one way, shall be made by commercial airline, unless circumstances dictate otherwise. Reimbursements for transportation costs for trips over 200 miles one way by any form of transportation other than commercial airline shall generally not exceed the standard round-trip airline coach airfare in effect at the time, plus the lesser of any auto mileage, or shuttle costs, and/or airport parking that would have been incurred and reimbursable if air transportation had been used.

Modes of transportation:

- Air Transportation: The District will reimburse board members or employees or pre-pay costs for economy (coach) class airfares. The District will endeavor to purchase airline tickets in advance, taking advantage of available discounts and low fares. Whenever possible, airline reservations shall be made to permit travel during normal business hours.

- Automobile – District Owned: Whenever practicable, and when auto travel is the preferred mode, District will provide a vehicle to accommodate the trip. When this occurs, the District will reimburse the employee for tolls, parking, gasoline and other maintenance that may be required during the course of use. Employees who use District vehicle for District travel are not eligible to receive reimbursement for mileage.

- Automobile – Personal Auto: board members or employees may use their own personal vehicle. District will reimburse employee or board member at the current rate/mile as established by IRS, plus tolls, parking, etc.

  Employees who receive monthly auto allowance from the District and use their personal vehicle for District business and travel are not eligible to receive reimbursement for gasoline, mileage, and other maintenance that may be required during the course of use.

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Adequate Accounting of miles reimbursed is required in accordance with Internal Revenue Code in order to substantiate the mileage reimbursement. Adequate Accounting for purposes of mileage reimbursement includes either a statement of beginning and ending odometer reading for each business purpose or an online mapping source (such as MapQuest or Google) showing beginning travel point and destination. The employee's normal daily commute to the District shall be subtracted from the total miles requested for reimbursement. Gasoline, collision and liability insurance, and maintenance will be provided by the employee and board member and is deemed covered in the rate/mileage reimbursement. Employees or board members using personal vehicles on District business must maintain the automobile insurance coverage required by the State of California and provide a copy of valid insurance card to Human Resources.

- Rental Cars: District will provide a rental car when practicable; often in conjunction with another mode, i.e. air transportation or rail transportation. The maximum reimbursement for rental cars shall be a standard mid-sized car, unless there is a clear business or safety need and it is approved by the General Manager. Upgrades or additional cost features are the employee's responsibility.

Sec 19.5. Lodging. The District will reimburse board members or employees for prearranged accommodations in single rooms at conference facilities or in close proximity when applicable. In the absence of conference accommodations, normal single room business, government or commercial class accommodation may be obtained.

Any lodging costs in excess of these standards, whether based on location, type of accommodations, number of occupants, etc., will be the sole responsibility of the board member or employee. Under normal circumstances, lodging will not be reimbursed for the night before a conference starts or the night after it ends. However, in a situation when available travel schedules would require an overnight stay that would otherwise require the employee to leave home before 6 a.m. and return home after 12:00 a.m., lodging will be reimbursable with prior approval.

Sec. 19.6. Meals and Beverages. The District will reimburse board member or employee for prearranged meal functions and tips for reasonably priced meals during the course of travel. The maximum daily amount reimbursable for meals, including beverages, is $100, plus service charges, service fees and maximum 20% gratuities. The District will not approve alcohol beverages and expenses incurred by spouses, family members, or guests.

Sec. 19.7 Entertainment. The District will not cover expenses incurred for recreation or entertainment, except when such entertainment is part of a function of the event, i.e. meal functions that include entertainment with the meal.

Sec. 19.8 Incidental Expenses. Unavoidable, necessary and reasonable authorized expenses will be fully reimbursed by the District. Some examples of allowable expenses are:

a. Telephone Calls (Business): All calls placed by the employee, to the District office, or for the purpose of conducting District business.
b. Telephone Calls (Personal): Brief personal calls each day away from home.
c. Telephone Calls (Local): Charges for local calls for meal and transportation reservations, or for area information related to travel.
d. Reasonable transportation to local restaurants and to optional functions which are a part of the conference.
e. Reasonable gratuities.
f. Parking fees.
g. Room Service is not generally reimbursable except:
   - Upon late night arrival at a hotel or early meetings;
   - During illness of the employee requiring in-room convalescence;
   - Other bona fide reasons. If room service is used for convenience, the District will reimburse for food costs only; all service charges will be the employee's or board of director's responsibility.
h. Shared Expenses: When appropriate and available, modifications and exceptions are allowed if sharing expenses is reasonable and economical. Such sharing may be among District employees or board of directors, or involve personnel from other agencies such as a two-for-one fare, larger auto rentals to accommodate a number of people, or taxicab or van usage in lieu of multiple bus or shuttle fares.
i. Tolls
j. The following expenses are also not reimbursable:
   - Parking or traffic violations
   - In-room movies
   - Laundry service

Sec. 19.9. Compensation for Non-Exempt Employees. Non-exempt employees travelling and staying overnight are normally authorized to work only for the total number of hours they were regularly scheduled to work, exclusive of applicable travel time. All employees travelling and staying overnight are considered by the District to be on flexible schedules. During flexible schedules, employee's starting time, meal period, rest periods, and etc. are adjusted to accomplish work with minimal overtime.

Should business require a non-exempt employee to travel, the District will compensate eligible employees for reasonable hours spent in travel and function attendance pursuant to state law. These hours are considered regular work hours for purposes of calculating overtime. During all compensable hours, an employee is subject to any and all provisions of District's Administrative and Ethics code.

The following hours are compensable:

- Actual hours spent at meetings, conferences, or functions, except for meals and special events of an entertainment nature held in conjunction with a function.
- Actual hours spent in transit, except for hours spent in travel between the employee's residence and the District. Any time spent in layover at a public transportation facility is also compensable travel time, unless the employee chooses to participate in recreational activities during the layover.

The following hours are not compensable:

- Time spent taking a break from travel in order to eat a meal, sleep or engage in other personal activities not connected with travelling or making necessary travel connections, such as sightseeing, visiting friends and family, or other activities of a recreational or entertainment nature.

Sec. 19.10 Travel Advance. Known expense amounts may be authorized and paid by the District in advance of the employee's travel. Hotel accommodations, transportation, conference registrations and meal functions, are example of these travel advances.

Sec. 19.11. Responsibility. On completion of a trip, board members or employees shall submit a claim form for reimbursement of travel expenses. Claim forms shall be supported by itemized receipts of all expenditures greater than $10 for which reimbursement is being requested. Claim forms must be submitted within a reasonable time in the same calendar year when the expense

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incurred. If a receipt is not provided or is lost, an explanation of the expenditure shall be included with the claim form.

When two or more employees combine an expense on one receipt, the employee requesting reimbursement shall indicate on the claim form or attached to claim form, the identity of the other persons sharing expenses. This will facilitate approval of reimbursable expenses.

It is not necessary to separate the “actual” combined expenses incurred by multiple persons that appear on one receipt.

Expenses incurred by spouses or guests will not be reimbursed by the District and these expenses are the responsibility of the board member or employee and director.

Sec. 19.12 Supervisor Responsibility Supervisors are responsible for approving travel expenses submitted for reimbursements of their subordinate staff. It is their responsibility of the supervisor that all employees have correctly applied all provision of the District’s Administrative and Ethics code. General Manager’s expenses submitted for reimbursements will be reviewed by the District’s Finance Officer. All reimbursed amounts will be submitted by Finance to be included in the monthly disbursement report to the Board including travel and other business expenses paid by the District’s credit cards.

Sec. 19.13 Credit card. District Issued credit cards can also be used to charge for preauthorized and planned travel expenses. District credit cards are the sole property of the District and issued in the names of authorized District’s individuals. District issued credit cards can only be used for District business expenses and approved in the budget. The District has established credit card terms and conditions for general terms and procedures on using District’s credit cards as approved by the General Manager. The District reserves the right to deny payment of expenses for failure to comply with the District’s credit card policy and procedures.

The District’s credit card can be used to pay for authorized travel and prepaid expenses such as conference or event registration fees, airline and train tickets, car rentals, and other travel expenses for authorized attendance at meetings, conferences, seminars, training and professional functions that take place away from the District offices. The District’s credit card can also be used to pay for expenses for District’s events, functions, supplies, or business.

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Travel expenses charged to District credit card must be completed in accordance with Section 19 of the District's Administrative and Ethics code.

Itemized receipts are required for expenses paid by the District's credit card. The following information shall be included on all receipts using by the District's credit card:

a. The amount of the expenditure.
b. The time, date and place of travel or entertainment.
c. The business purpose of the expenditure.

If this is shared charges while conducting District business, the identity of individuals sharing expenses must be submitted by the employee whose name on the credit card.

Sec. 19.14. Supervisor Responsibility for District credit card. Supervisors are responsible for approving expenses and purchases incurred that are charged to District credit card by their subordinate staff. It is a supervisor's responsibility to assure that all employees using District credit card have complied with the District's credit card terms and procedures.

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Sec. 19.1. revised by Ordinance No. 419 / August 14, 2014
Sec. 19.1. revised by Ordinance No. 416 / June 18, 2014
Sec. 19.1. revised by Ordinance No. 396 / July 25, 2012
Sec. 19.1. revised by Ordinance No. 392 / December 14, 2011
Sec. 19.1. revised by Ordinance No. 382 / August 25, 2010
Sec. 19.1. revised by Ordinance No. 371-A / June 24, 2009
Sec. 19.1. revised by Ordinance No. 370 / February 11, 2009
Sec. 19.1. revised by Ordinance No. 363 / July 23, 2008
Sec. 19.1. revised by Ordinance No. 352 / September 14, 2007
Sec. 19.1. revised by Ordinance No. 327 / February 17, 2006
Sec. 19.1. revised by Ordinance No. 320 / July 27, 2005
Sec. 19.1. revised by Ordinance No. 305 / October 22, 2003

Sec. 19.1. District Membership. The District is a member of the following associations. Attendance by the Board of Directors and staff at meetings of the associations is hereby authorized.

The Board of Directors shall receive director's fees for each day or portion of a day in attendance. Board Directors shall provide at the next regular meeting of the Board of Directors brief oral or written reports on meetings attended at District expense, pursuant to §53232 et seq. of the Government Code.

Alliance for Water Efficiency
American Membrane Technology Association
American Public Works Association
American Society for Training and Development
American Society of Civil Engineers
American Water Works Association
Association of California Water Agencies
Association of Women in Water, Energy, and Environment
CalDesal
California Municipal Treasurers Association
California Public Employees Retirement System
California Society of Municipal Financial Officers
California Special Districts Association
California Special Districts Association San Diego Chapter
California Urban Water Conservation Council
California Water Environment Association
California Women Lead
Conservation Action Committee
Construction Management Association of America
CLE International (Continuing Legal Education)

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Council of Water Utilities, San Diego County
Escondido Creek Watershed Alliance
Foundation for Cross-Connection Control & Hydraulic Research
Government Finance Officers Association
International Desalination Association
International Public Management Association for Human Resources
Local Agency Investment Fund
Metropolitan Water District of Southern California
Municipal Information Systems Association of California
National Association of Corrosion Engineers
National Fire Protection Association
National Water Resources Association
National Water Research Institute
North County Water Group
North San Diego County Employment Relations Consortium
Pacific Safety Council
Rural Community Assistance Corporation
San Diego Botanic Garden
San Diego County Water Authority
San Diego Metal Theft Taskforce
San Diego North Economic Development Council
San Diego Water Works Group
Southern California Water Committee
South West Membrane Operators Association
Special District Risk Management Authority
Submersible Wastewater Pump Association
Urban Water Institute
Water Education Foundation
Water for People
Water Reliability Coalition
Water Utilities Human Resources Committee
Water Utility Safety Managers Association
WateReuse Association of California

Sec. 19.2. revised by Ordinance No. 382 / August 25, 2010
Sec. 19.2. revised by Ordinance No. 352 / September 14, 2007
Sec. 19.2. revised via Ordinance No. 325 / December 7, 2005

Sec. 19.2. Meeting Compensation. The Board of Directors shall be compensated for meeting attendance for any of the meetings, conferences, dedications of a public facility or seminars of the agencies listed in §19.1 above, any meetings, subcommittee meetings or other advisory body meetings of the Board of Directors of Olivenhain Municipal Water District and any meetings with District staff to fulfill the requirements of the duties of the Board Director's position on the Board.

Sec. 19.3. Staff Membership. The District expects Staff Members to affiliate, at District expense, with professional associations or societies concerned with the work in which they are engaged. In general, attendance at meetings of other associations of which a Staff Member is a member is authorized. Time spent at such meetings shall be considered time spent on District work and shall not be chargeable to annual leave.

In order to encourage attendance at local meetings, the General Manager may authorize District Staff to attend at District expense if there is a benefit to the District. Local meetings requiring overnight travel expenses must be approved by the General Manager.

Sec. 19.4. revised by Ordinance No. 382 / August 25, 2010
Sec. 19.4. revised by Ordinance No. 352 / September 14, 2007
Sec. 19.4. revised via Ordinance No. 325 / December 7, 2005
Sec. 19.4. revised via Ordinance No. 320 / July 27, 2005
Sec. 19.4. was amended via Ordinance No. 311 / September 22, 2004

Sec. 19.4. Travel~~ Expenses~~. Travel is defined as all mode of transportation necessary for authorized attendees including ~~The B~~board members~~oard of Directors~~ and ~~or~~ employees at ~~attending any~~ meetings, conferences, seminars, training, and professional functions outside the District offices that~~ ~~ involve ~~involving~~ the interests of the District~~ or attending a convention of an organization~~ and is~~as~~ authorized in the Administrative and Ethics Code or by Board action. The District will reimburse expenses ~~, shall be entitled to reimbursement for business related expenses~~ incurred by ~~such~~ ~~b~~Board members~~ Director~~ or employees in connection with authorized attendance at ~~such~~ meetings, conferences, seminars, and professional functions that take place away from District offices as follows:
~~or convention as follows:~~

A. Reimbursement of ~~Authorized~~ ~~E~~expenses:

Reimbursement of travel expenses will not be considered taxable income to the employee or the board member for income tax purposes so long the District's reimbursement policy and procedures meets the rules of being an Accountable Plan in accordance with the Internal Revenue Code (IRC). As an Accountable Plan all expenses mush have a business connection that is included in the supporting documentation accompanying the reimbursement request. The reimbursement request must be submitted within reasonable period of time and should any excess reimbursement occur, it must be returned to the District within a reasonable period of time.

Travel Expenses shall be budgeted by District staff as part of the annual budget process. Any travel expenses approved with the budget shall be considered authorized for that fiscal year only. An "Employee Expense Claim Form" or a "Director's Fee/Per Diem/Expense Claim Form" must be completed for reimbursement of expenses (referred to as a claim form).

~~may include business telephone calls, business meals, common carrier fares, rental of automobiles, parking fees, and use of personal automobiles. The rates for reimbursement of travel, meals, lodging, mileage and other actual and necessary expenses by Board Directors shall be at the Internal Revenue Service rates as established in Publication 463. Board Directors must use government rates and group rates for transportation and lodging when available. Any Board Director expenses that do not fall within the IRS rates as established in Publication 463 have to be approved by the Board of Directors in a public meeting before the expense is incurred.~~

B. Travel Arrangements

All travel arrangements that can practically be made in advance (such as reservation for airfare, lodging, and transportation) will be made by the District, unless otherwise approved by the General Manager.

Travel must be pre-authorized and verified to be eligible for reimbursements prior to making travel arrangements. The District reserves the right to deny reimbursement of unplanned travel expenses and for failure to comply with District's Administrative and Ethics Code.

~~B. In addition to those expenses described in Section 19.4 (A), authorized expenses while traveling overnight on District business also may include reasonable telephone calls to the Board Director's or employee's family, meals, lodging, baggage handling, tips, and any other reasonable incidental expenses of the trip which are business related, rather than personal in nature. Non-reasonable expenses include expenses for alcohol and recreation, which shall not be reimbursed by the District.~~

B. Transportation

~~.~~ Travel must be by the most direct route, considering the mode of transportation used. The mode of transportation used shall be selected on the basis of the lowest overall cost to the District after all costs are considered,

Formatted: Normal, Justified, Indent: Left: 0", Hanging: 1", Don't hyphenate, Tab stops: -1", Left + -0.5", Left + 1.5", Left + 1.88", Left including the travel time and the salary of the employee; provided, however, that travel by common carrier bus shall not be required.

Additional expense resulting from travel by an indirect route for the personal interest of board members or employees is not chargeable to the District. These expenses need to be included and reported on claim forms for reimbursement and identified as chargeable to the board member or employee.

Trips, which require travel in excess of 200 miles one way, shall be made by commercial airline, unless circumstances dictate otherwise. Reimbursements for transportation costs for trips over 200 miles one way by any form of transportation other than commercial airline shall generally not exceed the standard round-trip airline coach airfare in effect at the time, plus the lesser of any auto mileage, or shuttle costs, and/or airport parking that would have been incurred and reimbursable if air transportation had been used.

Modes of transportation:

- Air Transportation: The District will reimburse board members or employees or pre-pay costs for economy (coach) class airfares. The District will endeavor to purchase airline tickets in advance, taking advantage of available discounts and low fares. Whenever possible, airline reservations shall be made to permit travel during normal business hours.

- Automobile – District Owned: Whenever practicable, and when auto travel is the preferred mode, District will provide a vehicle to accommodate the trip. When this occurs, the District will reimburse the employee for tolls, parking, gasoline and other maintenance that may be required during the course of use. Employees who use District vehicle for District travel are not eligible to receive reimbursement for mileage.

- Automobile – Personal Auto: board members or employees may use their own personal vehicle. District will reimburse employee or board member at the current rate/mile as established by IRS, plus tolls, parking, etc.

  Employees who receive monthly auto allowance from the District and use their personal vehicle for District business and travel are not eligible to receive reimbursement for gasoline, mileage, and other maintenance that may be required during the course of use.

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Adequate Accounting of miles reimbursed is required in accordance with Internal Revenue Code in order to substantiate the mileage reimbursement. Adequate Accounting for purposes of mileage reimbursement includes either a statement of beginning and ending odometer reading for each business purpose or an online mapping source (such as MapQuest or Google) showing beginning travel point and destination. The employee's normal daily commute to the District shall be subtracted from the total miles requested for reimbursement. Gasoline, collision and liability insurance, and maintenance will be provided by the employee and board member and is deemed covered in the rate/mileage reimbursement. Employees or board members using personal vehicles on District business must maintain the automobile insurance coverage required by the State of California and provide a copy of valid insurance card to Human Resources.

- Rental Cars: District will provide a rental car when practicable; often in conjunction with another mode, i.e. air transportation or rail transportation. The maximum reimbursement for rental cars shall be a standard mid-sized car, unless there is a clear business or safety need and it is approved by the General Manager. Upgrades or additional cost features are the employee's responsibility.

~~Additional expense resulting from travel by an indirect route for the personal interest of the Board Director or employee is not chargeable to the District, but is to be reported on claims for reimbursement and identified as chargeable to the Board Director or employee. The type of transportation employed shall be selected on the basis of the lowest overall cost to the District after all costs are considered, including the travel time and the salary of the employee; provided, however, that travel by common carrier bus shall not be required. Trips, which require travel in excess of 200 miles one way, shall be made by commercial airline, unless circumstances dictate otherwise. Reimbursements for transportation costs for trips over 200 miles one way by any form of transportation other than commercial airline shall generally not exceed the standard round-trip airline coach airfare in effect at the time, plus the lesser of any auto mileage, or shuttle costs, and/or airport parking that would have been incurred and reimbursable if airline transportation had been used.~~

~~D. The expenses of a Board Director's or employee's spouse or registered domestic partner as defined in California Family Code Section 297, who accompanies the Board Director or employee on District business shall not be borne by the District or reimbursable to the Board Director or employee.~~

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~~*Sec. 19.5. revised by Ordinance No. 352 / September 14, 2007*~~
~~*Sec. 19.5. revised via Ordinance No. 325 / December 7, 2005*~~

Sec 19.5. Lodging~~Hotels~~. The District will reimburse board members or employees for prearranged accommodations in single rooms at conference facilities or in close proximity when applicable. In the absence of conference accommodations, normal single room business, government or commercial class accommodation may be obtained.

Any lodging costs in excess of these standards, whether based on location, type of accommodations, number of occupants, etc., will be the sole responsibility of the board member or employee. Under normal circumstances, lodging will not be reimbursed for the night before a conference starts or the night after it ends. However, in a situation when available travel schedules would require an overnight stay that would otherwise require the employee to leave home before 6 a.m. and return home after 12:00 a.m., lodging will be reimbursable with prior approval.

~~Whenever required to spend the night away from San Diego County, Board Directors and personnel shall engage rooms at a good commercial hotel or motel. If the lodging is in connection with a conference or organized educational activity, the lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor provided that the lodging at the group rate is available at the time of booking. If the group rate is not available at the time of booking, the Board Director is to use comparable lodging consistent with the IRS rates for travel set forth in Publication 463. If accompanied on the trip by another person not a Board Director or Staff Member and the room is shared, the District shall be charged only for that portion of the room charge which would be made by the hotel for single occupancy. A receipted bill stating occupants and length of stay shall be submitted with the claim for expense reimbursement. If the room is occupied by more than one person, the rate for single occupancy shall be noted on the receipted statement.~~

~~*Sec. 19.6. revised by Ordinance No. 352 / September 14, 2007*~~
~~*Sec. 19.6. revised via Ordinance No. 325 / December 7, 2005*~~

Sec. 19.6. Meals and Beverages~~ and Incidental Expenses~~. The District will reimburse board member or employee for prearranged meal functions and tips for reasonably priced meals during the course of travel. The maximum daily amount reimbursable for meals, including beverages, is $100, plus service charges, service fees and maximum 20% gratuities. The District will not approve alcohol beverages and expenses incurred by spouses, family members, or guests. ~~Expense allowance while attending authorized meetings shall include, in addition to transportation and hotel, all meals, tips, telephone~~

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~~expense, stenographic expense, auto parking, taxi, and disbursements on behalf of the District such as filing fees in connection with legal documents. No reimbursement shall be made of expenditures for personal services or needs. The rates for reimbursement of travel, meals, lodging and other actual and necessary expenses by Board Directors shall be at the Internal Revenue Service rates as established in Publication 463. Board Directors must use government rates and group rates for transportation and lodging when available.~~

Sec. 19.7 Entertainment. The District will not cover expenses incurred for recreation or entertainment, except when such entertainment is part of a function of the event, i.e. meal functions that include entertainment with the meal.

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Sec. 19.8 Incidental Expenses. Unavoidable, necessary and reasonable authorized expenses will be fully reimbursed by the District. Some examples of allowable expenses are:

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a. Telephone Calls (Business): All calls placed by the employee, to the District office, or for the purpose of conducting District business.
b. Telephone Calls (Personal): Brief personal calls each day away from home.
c. Telephone Calls (Local): Charges for local calls for meal and transportation reservations, or for area information related to travel.
d. Reasonable transportation to local restaurants and to optional functions which are a part of the conference.
e. Reasonable gratuities.
f. Parking fees.
g. Room Service is not generally reimbursable except:
   - Upon late night arrival at a hotel or early meetings;
   - During illness of the employee requiring in-room convalescence;
   - Other bona fide reasons. If room service is used for convenience, the District will reimburse for food costs only; all service charges will be the employee's or board of director's responsibility.
h. Shared Expenses: When appropriate and available, modifications and exceptions are allowed if sharing expenses is reasonable and economical. Such sharing may be among District employees or board of directors, or involve personnel from other agencies such as a two-for-one fare, larger auto rentals to accommodate a number of people, or taxicab or van usage in lieu of multiple bus or shuttle fares.
i. Tolls
j. The following expenses are also not reimbursable:

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- Parking or traffic violations
- In-room movies
- Laundry service

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~~*Sec. 19.7. revised by Ordinance No. 352 / September 14, 2007*~~

~~*Sec. 19.7. revised via Ordinance No. 325 / December 7, 2005*~~

Sec. 19.~~7~~9. Compensation for Non-Exempt Employees. Non-exempt employees travelling and staying overnight are normally authorized to work only for the total number of hours they were regularly scheduled to work, exclusive of applicable travel time. All employees travelling and staying overnight are considered by the District to be on flexible schedules. During flexible schedules, employee's starting time, meal period, rest periods, and etc. are adjusted to accomplish work with minimal overtime.

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Should business require a non-exempt employee to travel, the District will compensate eligible employees for reasonable hours spent in travel and function attendance pursuant to state law. These hours are considered regular work hours for purposes of calculating overtime. During all compensable hours, an employee is subject to any and all provisions of District's Administrative and Ethics code.

The following hours are compensable:

- Actual hours spent at meetings, conferences, or functions, except for meals and special events of an entertainment nature held in conjunction with a function.
- Actual hours spent in transit, except for hours spent in travel between the employee's residence and the District. Any time spent in layover at a public transportation facility is also compensable travel time, unless the employee chooses to participate in recreational activities during the layover.

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The following hours are not compensable:

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- Time spent taking a break from travel in order to eat a meal, sleep or engage in other personal activities not connected with travelling or making necessary travel connections, such as sightseeing, visiting friends and family, or other activities of a recreational or entertainment nature.

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Sec. 19.10~~T~~ Travel Advance. Known expense amounts may be authorized and paid by the District in advance of the employee's travel. Hotel accommodations, transportation, conference registrations and meal functions, are example of these travel advances. ~~Travel advance for expenses for Board Directors or employees that fall within the guidelines for meeting compensation in the Administrative and Ethics Code equal to the estimated expenditures chargeable to the District on the trip may be made, if requested by any Board Director or Staff Member making the trip. A detailed estimate of the amount needed shall be submitted and approved by the General Manager prior to such advances being made.~~

~~***Sec. 19.8. revised via Ordinance No. 331 / June 9, 2006***~~

~~***Sec. 19.8. revised via Ordinance No. 325 / December 7, 2005***~~

~~***Sec. 19.8.(A) revised by Ordinance No. 311 / September 22, 2004***~~

~~***Sec. 19.8. revised by Ordinance No. 305 / October 22, 2003***~~

Sec. 19.~~8~~11. Responsibility~~Report of Expense Expenditure~~. On completion of a trip, board members~~Board Directors~~ or employees shall submit a claim form ~~detailed statement~~ for reimbursement of travel expenses. Claim forms shall be supported by itemized receipts of all expenditures greater than $10 for which reimbursement is being requested. Claim forms must be submitted within a reasonable time in the same calendar year when the expense incurred. If a receipt is not provided or is lost, an explanation of the expenditure shall be included with the claim form.

When two or more employees combine an expense on one receipt, the employee requesting reimbursement shall indicate on the claim form or attached to claim form, the identity of the other persons sharing expenses. This will facilitate approval of reimbursable expenses.

It is not necessary to separate the "actual" combined expenses incurred by multiple persons that appear on one receipt.

Expenses incurred by spouses or guests will not be reimbursed by the District and these expenses are the responsibility of the board member or employee and director.

~~of all expenditures on the approved Expense Form chargeable to the District, to which shall be attached the required vouchers. The Expense Reports must document that the expenses are in accordance with the District's Administrative and Ethics Code, must be filed within a reasonable time after incurring the expense and within the same calendar year that the costs were incurred and must be accompanied by receipts that document each expense. Board Directors must provide brief reports on meetings that they have~~

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~~attended at the District's expense at the next regular Board meeting. All of the documents related to reimbursements are public records and are subject to the California Public Records Act. The Expense Reports shall indicate the travel advance, if any, and the net amount due or the amount to be refunded to the District. This statement shall be approved by the General Manager or his/her designee prior to settlement.~~

Sec. 19.12 Supervisor Responsibility Supervisors are responsible for approving travel expenses submitted for reimbursements of their subordinate staff. It is their responsibility of the supervisor that all employees have correctly applied all provision of the District's Administrative and Ethics code. General Manager's expenses submitted for reimbursements will be reviewed by the District's Finance Officer. All reimbursed amounts will be submitted by Finance to be included in the monthly disbursement report to the Board including travel and other business expenses paid by the District's credit cards.

~~*Sec. 19.9 revised by Ordinance No. 449/ May 17, 2017*~~

~~*Sec. 19.9. revised by Ordinance No. 352 / September 14, 2007*~~

~~*Sec. 19.9. revised via Ordinance No. 325 / December 7, 2005*~~

~~*Sec. 19.9. revised via Ordinance No. 320 / July 27, 2005*~~

~~*Sec. 19.9. was Added to Admin and Ethics Code per Ordinance No. 307 / Nov. 19, 2003*~~

Sec. 19.13~~9.~~ C~~C~~redit c~~C~~ard~~ Policy~~. District Issued credit cards can also be used to charge for preauthorized and planned travel expenses. District credit cards are~~will remain~~ the sole property of the District and ~~will be~~ issued in the names of ~~both the~~ authorized District's individuals. ~~employee and the District.~~ District issued credit cards can only ~~may b~~be used ~~only~~ for District business expenses and approved in the budget. The District has established credit card terms and conditions for general terms and procedures on using District's credit cards as approved by the General Manager. The District reserves the right to deny payment of expenses for failure to comply with the District's credit card policy and procedures.

~~approved or budgeted District business expenditures. Except where expressly authorized by the District's travel and compensation policy, Article 19 of the Administrative and Ethics Code, personal charges must not be made to any District issued credit card.~~

The District's credit card can be used to pay for authorized travel and prepaid expenses such as conference or event registration fees, airline and train tickets, car rentals, and other travel expenses for authorized attendance at meetings, conferences, seminars, training and professional functions that take place away from the District offices. The District's credit

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card can also be used to pay for expenses for District's events, functions, supplies, or business.

Travel expenses charged to District credit card must be completed in accordance with Section 19 of the District's Administrative and Ethics code.

~~Board Credit Card: The District has one credit card for use by the Board of Directors. This card is loaned to the Board Directors as needed. The card can only be used for the Board of Directors expenses and is maintained by the General Manager's department. Receipts for travel by Board Directors, which are incurred using the Board credit card, shall be attached to the Expense Report of the Board Director pursuant to §19.8 of the Administrative and Ethics Code.~~
Itemized r~~R~~eceipts are required for expenses ~~all business travel and meals~~ paid by the~~with a~~ District's credit card. The~~, with the~~ following information shall be included on~~ written on the back of~~ all~~the~~ receipts using by the District's credit card:~~ if it is not already on the front of the receipt.~~

a. The amount of the expenditure.
b. The time, date and place of travel or entertainment.
c. The business purpose of the expenditure.

If this is shared charges while conducting District business, the identity of individuals sharing expenses must be submitted by the employee whose name on the credit card~~T~~.

~~d.~~ Sec. 19.14. Supervisor ~~he names of individuals who received meals.~~

~~General Staff Credit Cards: Two credit cards are maintained for general staff use. Use of these cards requires that a Request to Use District Credit Card form is filled out and signed by the approving Manager or Supervisor and the General Manager or Finance Manager. The card shall be returned after each use to the Finance department, with receipts, within 2 business days of final use.~~

~~After each purchase the receipt and a brief written description of the item purchased must be submitted to the Finance department.~~

~~Credit cards are not to be used to circumvent other established purchasing procedures. They are not to be used to purchase materials, supplies and services that can be purchased through other established purchasing processes.~~

Responsibility for District credit card. Supervisors are

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responsible for approving expenses and purchases incurred that are charged to District credit card by their subordinate staff. It is a supervisor's responsibility to assure that all employees using District credit card have complied with the District's credit card terms and procedures.~~Staff should submit a request for a credit card to the Finance Manager with Department Manager and General Manager approval.~~

~~Specific Staff Credit Cards: Credit cards may also be issued for specific Staff Members. The maximum credit limit for any single card shall not exceed $25,000 for the Board of Directors, $10,000 for the General Manager, $10,000 for the Assistant General Manager, and $5,000 for the Department Managers / Supervisors and general staff cards.~~

~~Upon leaving the District's employ, card holders must return their card to the HR department during their exit interview.~~

~~Credit Card Procedures. If Staff Members have been issued a credit card other than the two cards for general staff use, at the close of each billing period the Finance Department will provide the Staff Member with a copy of the Statement of Account for their card. The statement will itemize each transaction charged to their credit card account for the previous billing period. Upon receiving the statement from the Finance Department each of the following steps must be completed by the Staff Member:~~

- ~~Review the statement for accuracy.~~
- ~~Indicate the appropriate District account number and program code for each charge.~~
- ~~Check to see if the item is taxable.~~
- ~~If sales tax has not been charged on a taxable item, bring this to the attention of Accounts Payable so that sales/use tax can be recorded and paid also.~~
- ~~Write any other comments regarding the item purchased.~~
- ~~Attach all receipts from purchases.~~
- ~~Sign the statement and return to the Finance Department for payment processing within five working days of receipt.~~

~~All purchases must be substantiated. Purchases made with a District credit card without receipts may result in loss of credit card privileges. Misuse of the District's credit card for any personal expenses is prohibited and grounds for disciplinary action, including termination of employment, as well as loss of all credit card privileges. In addition, the person placing personal expenses on any District credit card will be required to immediately~~

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~~reimburse the District for all personal expenses. If a purchase is made to a Staff Member's credit card that staff member must be able to substantiate that the purchase was necessary and for District use.~~

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~~Credit card statements and supporting receipts would be reviewed by the District's Treasurer or his/her designee. Any late charges incurred by the District, due to the late return of credit card statements by card holders, will be paid by the cardholders.~~

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~~***Business Travel, Meals and Entertainment***~~

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~~Cardholders may use their credit cards to pay for business travel and meals. Receipts are required for all business travel and meals paid with a District credit card, with the following information written on the back of the receipt if it is not already on the front of the receipt:~~

~~a) The amount of the expenditure.~~
~~b) The time, date and place of travel or entertainment.~~
~~c) The business purpose of the expenditure.~~
~~d) The names of individuals who received meals.~~

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~~***Lost or Stolen Credit Cards***~~

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~~If a Staff Member's credit card is lost or stolen, they must immediately notify the Finance Department and the credit card issuer.~~

~~***Sec. 19.10. was Added to Admin and Ethics Code per Ordinance No. 325 / December 7, 2005***~~

Sec. 19.10. Penalties. Penalties for misuse of public resources or falsifying expense reports in violation of the policies contained in the Administrative and Ethics Code may include, but are not limited to:

a. The loss of reimbursement privileges;
b. Restitution to the District;
c. Civil penalties for misuse of public resources pursuant to §8314 of the Civil Code;
d. Prosecution for misuse of public resources pursuant to §424 of the Penal Code.

Sec. 19.11. revised by Ordinance No. 352 / September 14, 2007

Sec. 19.11. was Added to Admin and Ethics Code per Ordinance No. 325 / December 7, 2005

Sec. 19.11. Ethics Training. All Board Directors must receive at least two hours of general training in ethics principles and ethics laws relevant to his or her public service every two years pursuant to §53234 et seq. of the

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Government Code. The General Manager shall provide information on training available to meet the requirements of this article at least once annually in the Board package. The District shall maintain records that indicate the dates that the Board Director satisfied the requirements of this article and the entity that provided the training. These records shall be maintained by the District for at least 5 years after the receipt of the training by the Board Director. The first deadline for completion of ethics training is January 1, 2007.